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NEWS SUMMARY

GENERAL

Police spark to Brixton suggested

Swamp 81, a special police operation to combat crime, may have been a contributory cause of the Brixton riots in April, it was suggested at the opening of the Scarman inquiry.

Leading counsel Robin Auld, QC, said the operation, launched in the week before the unrest, drew in 100 plain-clothed police who stopped 1,000 people. Back Page

Queen opposes public shield

The Queen walked through crowds at Windsor's Garter service while Home Secretary William Whitelaw and Buckingham Palace stressed her wish to "move freely among her people" in spite of Saturday's gun incident. Action to ban imitation weapons, Page 8

Marcus Sarjeant, 17, was remanded in custody on a Treason Act charge.

Bomb spotted

A letter bomb addressed to Labour MP Greville Janner was intercepted in Worthing, Sussex, where it was posted.

Strike defiance

Ambulance crews in the West Midlands, Wiltshire and other areas will ignore the national 24-hour strike call tomorrow. Back Page

Habib doubts

U.S. envoy Philip Habib arrived in Damascus from Saudi Arabia with his shuttle efforts to avert a Syrian-Israeli conflict apparently in trouble. Back and Page 5

Khomeini call

Ayatollah Khomeini told Iranian President Bani-Sadr he should apologise for "inviting people to revolt." Page 5

Zimbabwe fear

Rebels who fled to South Africa last year were returning to Zimbabwe armed, uniformed and trained, said Home Affairs Minister Richard Hove.

Guerrillas jailed

Six Pan Africanist Congress members were jailed for 15 years in Tanzania for the 1979 manslaughter of David Sibeko, their leader in the South African guerrilla organisation.

Storms kill 14

Tornadoes, lightning and floods left at least 14 dead in four mid-U.S. states.

Earthquake aid

Italy was granted L75bn (£32m) for its earthquake-hit southern regions, the first tranche of EEC aid.

Alfredo charge

The owner of the land in Frascati, Italy, where six-year-old Alfredo Rampi died trapped down a well, was charged with his manslaughter.

Border boost

Tourism in the Irish boarder country will receive a £15m boost from the EEC Commission. Page 7; English season threatened. Page 7

Nothing to envy

Tap water in the Dutch town of Deurne turned bright green for a day, baffling scientists.

Briefly . . .

Yorkshire Ripper Peter Sutcliffe lodged appeal documents.

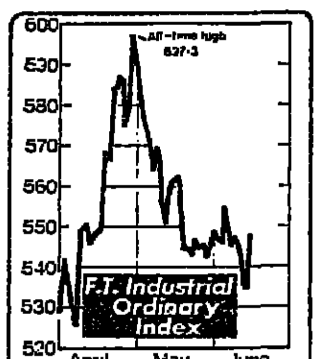
Cocaine worth $130m (£65m) was seized after a Florida air chase.

Anti-leprosy drive was launched in India, which has 3.2m sufferers.

BUSINESS

Equities add 12.0; gilts up 1.08

● EQUITIES responded strongly to the easing of U.S. interest rates. The FT 30-share index rose 12.0 to 547.8, with many stocks recording double-figure gains. Page 28



● GILTS also advanced, with the Government Securities Index up 1.08 at 67.16. Page 28

● STERLING rose 4.3 cents in London to $2.0020. It eased to DM 4.69 (DM 4.6925) but rose to FFr 11.2125 (FFr 11.1850). Its trade-weighted index was 95.8 (95.1). Page 25

● DOLLAR fell sharply, finishing at DM 2.3420 (DM 2.3945), SwFr 2.0425 (SwFr 2.0960) and Y219.8 (Y224.25). Its trade-weighted index fell to 107.7 (109.0). Page 25

● GOLD fell $1 in London to $470.5. Page 25

● WALL STREET was up 6.75 at 1,013.03 near the close. Page 26

● BRITAIN threatened to block a range of recent EEC Council of Ministers' decisions until it is allowed to sell more lamb to the Continent. Page 27

● EEC governments agreed to double the European Investment Bank's subscribed capital to £7.76bn. Page 2

● FUEL OIL costs are up to £11 a tonne more in Britain than on the Continent, according to EEC figures. Page 6

● STATE INDUSTRIES have asked the Treasury for rises totalling less than 5 per cent on external financial limits provisionally set for 1982-83. Page 8

● INDUSTRY Under-Secretary John MacGregor told the Commons there were signs the bottom of the recession had been reached. Page 8

● RETAIL SALES continued to fall last month from the buoyant levels at the beginning of the year. Page 6

● AUSTRALIAN Government formally approved two major bank mergers which will reduce the number of Australian trading banks from six to four. Page 24

● ROCKWELL of the U.S and Iveco, the Fiat subsidiary, agreed terms for a joint company to make rear axles for lorries.

● ZANUSSI, Italy's biggest domestic appliance maker, is negotiating an agreement with Telefunken Italy on the production and marketing of TV sets. Page 23

● TRUSTHOUSE FORTE admitted its battle for the Savoy Hotel group is likely to fail. Page 19

● GODFREY DAVIS, car hirer, reported pre-tax profits down from £3.04m to £2.57m for the year to March 31. Page 21

● J. H. FENNER (HOLDINGS), power transmission engineer, reported pre-tax profits down from £4.26m to £3.55m for the half-year to February 28. Page 18

BNOC forced to cut Forties Field crude by $4.25 a barrel

BY RAY DAFTER, ENERGY EDITOR

NORTH SEA oil prices have been cut by $4.25 a barrel — the most dramatic reaction yet to the weak international oil market. But charges could rise again if Saudi Arabia, the world's leading exporter, increases its rates.

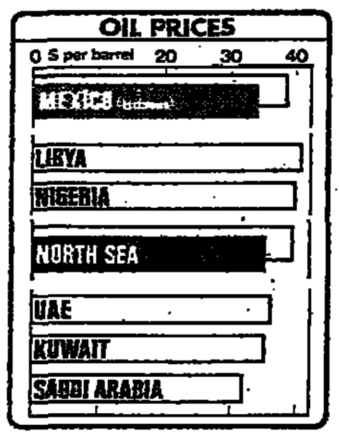
After pressure from big oil groups, the British National Oil Corporation has been forced to drop the reference price of Forties Field crude from $39.25 a barrel to $35.

This change, effective yesterday, makes premium-grade North Sea oil cheaper than some inferior crudes sold in the Middle East and between $5 and $6 a barrel less than comparable African-produced crudes.

BNOC — biggest trader of North Sea oil and the price setter — had proposed a reduction of $2 a barrel. This was challenged by companies like Shell, Esso and British Petroleum, which process a high proportion of Britain's oil in the European refineries. These major oil companies had sought decreases of up to $5 a barrel.

As part of the compromise deal BNOC has temporarily linked its pricing structure to Saudi Arabian oil rather than the crudes produced by Nigeria, Algeria and Libya.

This means that if Saudi Arabia, which now sells its Arab Light crude for $32 a barrel, raised its prices to be more in line with the rest of the Organisation of Petroleum Exporting Countries, BNOC would follow suit. However,



the corporation would not attempt to make any increase retroactive.

The new North Sea pricing spotlights confusion over crude oil values. BNOC is siding with Saudi Arabia in the hope that OPEC can agree on a common production and pricing structure.

This structure might arise from the Africans and some Middle Eastern producers cutting $2 a barrel or more from their official prices and Saudi Arabia combining a $2 a barrel increase with a reduction in its above-average production rate of 10.3m barrels a day.

In the meantime, BNOC has been forced to accept the pressures of the market place. With North Sea oil now being sold on the spot market for as little as $33 a barrel BNOC was concerned that some of its contract customers would begin cancelling contracts. The corporation handles about 1m barrels a day of the 1.7m b/d UK North Sea production.

The pricing move means, in theory, that the Treasury could lose some £800m a year in reduced Government revenues. It is estimated that each $1 a barrel reduction in price cuts the tax take by about £200m a year.

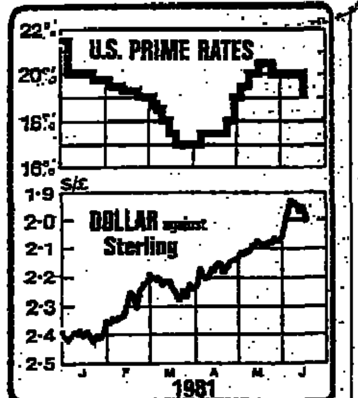
Whitehall and the oil industry feel much of the potential reduction would be offset by a decline in sterling against the dollar.

Cheaper crude will not lead to lower product prices, however. Shell UK, a leading North Sea oil producer and refiner, said last night that the reduction would allow the company's refining and marketing operation to break even, assuming that the recent product price increases held.

British Petroleum, which has reduced its Forties Field output from 430,000 b/d to 350,000 b/d in the light of reduced demand, said the move recognised that the previous differential between North Sea and Saudi Arabian prices were too wide.

BP Oil, British Petroleum's UK refining and marketing arm, said the price reduction was excellent news. Even so, the company would still need another 2p a gallon price rise on all products in order to return to profitability.

U.S. expected to lift gas price controls, Back Page



£ jumps back to over $2

By David Lascelles in New York and Peter Riddell in London

STERLING jumped back to over $2.00 yesterday as the dollar dropped against all major currencies in response to a further decline in U.S. interest rates.

The main trigger was the better than expected U.S. money supply figures reported late on Friday which led to a drop in Eurodollar deposit rates and a fall in the dollar as soon as trading started yesterday.

This trend continued when New York opened and Chemical Bank, the seventh largest in the U.S., lowered its prime rate by one point to 19 per cent, leapfrogging the ½ point cut to 19½ per cent made by Marine Midland last week.

Other major banks are sticking at 20 per cent until the outlook becomes clearer. The Federal Reserve is still keeping a tight hand on credit. Despite this caution a more buoyant mood developed in Wall Street.

The response in the foreign exchange markets was as dramatic as when U.S. interest rates were rising. The dollar dropped to DM 2.3420 in London compared with DM 2.3945 on Friday and to Y219.80 against Y224.25 previously.

Sterling has been boosted as a result — rising 4.3 cents yesterday to $2.0020 at the London close. This was over 8 cents higher than the low of 10 days ago.

The pound showed little change against the main Continental currencies. The 0.7 point rise to 95.8 in the sterling trade-weighted index, reflecting its average value against other currencies, was entirely the result of the wak dollar. This index was last night still well below its level before the recent slide in sterling.

There will be close interest this morning to see how news of the fall in the North Sea oil price affects sterling.

The drop in U.S. interest rates and the rise in sterling have encouraged London financial markets. Prices of long-dated gilt-edged stocks rose by £1½ so that much, though not

Continued on Back Page
Money markets Page 25

World bankers call for action to ward off crash

BY DAVID MARSH IN BASLE

THE U.S. Government was urged yesterday by the international central banking community to change the balance of its fiscal and monetary policies to bring down international interest rates and help forestall a 1930s-style breakdown of the world economy.

In a strongly worded appeal, aimed particularly at the Reagan Administration, the Bank for International Settlements, the institution in Basle run by the world's leading central banks, called for Governments to shift the emphasis of their battle against inflation.

Underlining the general disquiet of European central bankers, Dr Jelle Zijlstra, president of the BIS and of the Netherlands Central Bank, said at the BIS annual meeting that the U.S. monetary system, with its reliance on weekly, monthly or quarterly money-supply figures, was "by definition not a system at all."

He welcomed American efforts to bring down inflation, but criticised the monetary techniques that produced the "perverse" result of short-term interest rates well above long-term rates.

Referring to the U.S. Administration's policy of minimising intervention on the foreign exchanges, Dr Zijlstra said the U.S. would eventually be forced to change its currency policies.

"I have not the slightest doubt that within two years the philosophy will change again," he said.

The BIS warned in its annual report yesterday that even with improved procedures it might be impossible for the U.S. central bank to smooth out short-term fluctuations in rates of monetary expansion.

The impact of fluctuating U.S. interest rates on exchange markets could have "extremely harmful" effects on foreign trade.

The fall of low-inflation currencies like the D-Mark and the Swiss franc against the dollar threatened to store up trouble for the future.

"The influence of relative inflation rates will in the long run predominate, and in turn trigger fresh exchange rate fluctuations."

Governments should switch toward cutting budget deficits and rely less on tough monetary policies.

Large and prolonged fiscal deficits were contributing to higher interest rates, thus "crowding out" private-sector activity despite high unemployment and economic slack, the report said.

The switch in emphasis, as well as greater use of other anti-inflationary tools like incomes policies, was needed to forestall the danger of persistent unemployment.

This could unleash political and social pressures which

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Lombard Page 14
Men and Matters Page 15

Pretoria to sell more gold

SOUTH AFRICA is likely to sell all its gold production of about 21m oz (650 tonnes) on the international bullion market this year, Mr. Chris Stals, senior deputy governor of the South African Reserve Bank, said this yesterday, writes David Marsh in Basle.

It would mark a departure from South Africa's policy last year, when it increased gold reserves by 66 tonnes, mainly the result of retention of gold production as well as unwinding of previous bullion swops with commercial banks.

Mr Stals, who is in charge of gold operations at the reserve bank was attending the annual meeting of the BIS.

He said South Africa's need to sell all its production was determined by the country's balance of payments.

South Africa's current account deficit was running at a seasonally-adjusted annual rate of R1bn (£590m) in the first quarter, after a surplus last year.

One factor behind the swing into deficit was the lower price of gold. Last year it accounted for more than half South Africa's exports.

Mr Stals said that even if the bullion price dropped further from its present levels, the current account deficit would still be manageable.

South Africa would be unlikely to sell gold from reserves if the balance of payments worsened further.

It would be more likely to enter into more gold swops with international banks—a form of borrowing against pledged gold reserves under which South Africa exchanges gold for foreign exchange for a fixed period.

The country last made big gold swops in the mid-1970s.

However, said Mr Stals, this was not under consideration at present, as the South African private sector had adequate credit lines with foreign banks which were the first line of defence.

Healey stakes his claim with personal manifesto

BY MARGARET VAN HATTEM, LOBBY STAFF

MR DENIS HEALEY yesterday staked his claim for the Labour centre ground with a personal election manifesto. He sought support for the Healey-Foot leadership team and his own candidacy for the deputy leadership.

The removal of Mr Tony Benn, his main rival, from active politics for at least two of the three months before the election appears to have pushed Mr Healey's supporters into top gear.

Later this week, they will be issuing an open letter signed by around 100 people including union leaders, MPs, councillors and party activists rallying support for his campaign.

Over the next three weeks, they will be lobbying Labour MPs for signatures to his nomination

Mr Healey is planning a series of detailed policy statements — on defence, the EEC, overseas aid, and the philosophical basis of his socialism — at union conferences and other meetings during the summer. Other Shadow Cabinet members including Mr Eric Varley, Mr Roy Hattersley and possibly Mr Peter Shore are expected to speak in his support.

In his statement yesterday Mr Healey appeared intent on blurring the policy differences between himself and the other candidates. He appealed for support for his personal qualities, honesty, tolerance and his capacity to work with Mr Michael Foot as part of a "balanced team."

He sidestepped issues, such as an incomes policy, abolition of private education, unilateral nuclear disarmament and EEC membership. He unequivocably supported popular policies such as a massive public investment programme, and cancellation of the Trident project. Avoiding any explicit reference to Mr. Benn he urged party members to reject "the easy answer, the instant solution and the temptation to promise more than we can perform."

Mr. Foot was shown a copy of the statement on Friday and is understood not have objected. However, a slight tension appears to be creeping into relations between MPs close to him and those around Mr Healey.

Healey manifesto Page 8

Attempt to thwart Berisford bid

BY JOHN MOORE

HENRY SCHRODER WAGG, the merchant bank advising the British Sugar Corporation, yesterday bought over 1.4m shares in the corporation in a last-minute attempt to thwart the £200m takeover bid from S. and W. Berisford.

The bank is understood to have purchased the 1.425m shares, representing a 2.4 per cent stake, for itself in a series of deals worth nearly £5m.

In all, the merchant bank has acquired nearly 2m shares in British Sugar in the last few trading days on the London stock market. On Friday the bank paid £1.7m for 505,000 British Sugar shares.

Berisford's advisers were yesterday counting the acceptances to its offer which had come in over the weekend. An announcement will be made this morning.

By the end of Friday, Berisford a leading commodity trader, had received acceptances from shareholders holding just 518,517 (0.56 per cent) British Sugar shares.

In a dramatic share swoop on Friday, Berisford acquired a 23.6 per cent stake to help its bid succeed. In all, Berisford holds 36.13 per cent

Much depends on the counting of yesterday's acceptances. The Berisford offer had been due to close yesterday, but will be extended another 14 days. Shareholders who had sent their acceptances off on Friday or on Saturday by post may prove crucial to the outcome.

Berisford needs just over 6 per cent to trigger the support of a 24.17 per cent stake held by the Government. The Government intends to accept the offer if the majority of uncommitted holders of shares in British Sugar support the bid.

Although some of the major institutions have sold shares in British Sugar, mainly the pension funds, a representative view of the major insurance companies who hold shares in the sugar producer was "We are standing firm."

Prudential Assurance, which holds over 6 per cent in British Sugar, said: "We support the present management at British Sugar. There are not very good arguments for the Berisford bid. British Sugar has done everything it can to deserve our support."

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CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			Lucas Inds.	195	+ 9
Treas. 11½pc 1985	£93½	+ 1½	Matthews (B.)	151	+ 11
Treas. 13pc 2000	£90½	+ 1½	Midland Bank	345	− 10
BAT Inds.	363	+ 11	Pearl Assurance	394	+ 8
Bank of Scotland	393	+ 7	Phoenix Timber	130	+ 14
Beecham	217xd	+ 11½	Standard Fireworks	130	+ 14
Bowater	270	+ 10	Staveley Inds.	255	+ 9
British Land	93	+ 6	Turner and Newall	95	− 7
Chubb	94	+ 6	Utd. Scientific	458	+ 18
Cornell Dresses	167	+ 12	Upton (E.) A	42	+ 10
Crest Nicholson	161	+ 7	Vickers	177	+ 8
Downing (G. H.)	242	+ 14	Cent. Pacific Mins.	100	+ 8
Flight Refuelling	354	+ 19	Eagle Crpn.	62	+ 5
Grand Met.	214	+ 9	Otter Exploration	64	+ 8
Gt Portland Estates	240	+ 8	Patino	£26	− 5½
GRE "New"	62pm	+ 7½	Sthrn. Pacific Pets.	47	− 5
Hambros Bank	885	− 25	FALLS		
Hestair	46	+ 5	Brown and Jackson	73	− 13
ICI	288	+ 8	Tern-Consulate	49	− 5
Land Securities	389	+ 9	Afrikander Lease	130	− 30
Lloyds Bank	368	+ 10	Grootvlei	382	− 38

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هكذا من الأصل

THE FRENCH GENERAL ELECTION

Communists take a second dose of medicine

BY DAVID WHITE IN PARIS

FRANCE'S Communists have had to swallow their pride for the second time in less than two months. Although Sunday's first-round parliamentary poll showed a slight recovery in the Communist vote compared with the first round of the Presidential election, pushing it up to just over 16 per cent, the Socialist Party's countrywide progress was as much at the expense of the Communists as it was of the Right.

In next Sunday's second round the Communist Party, standing by its promise to stand down in constituencies where Socialist candidates are better placed than its own, may well lose half its 86 seats in the National Assembly. This is much greater than the actual loss in its share of the parliamentary vote. But there is little the party leaders can do except to lick the wounds.

Since the poor performance of M Georges Marchais, the party leader, in the Presidential race when the Communist turnout was the lowest for 45 years, the party has hitched its wagon to that of the Socialists, bravely waving the banner of the victorious Left. But it is proving a rough ride.

Out of the seven members of the Communist Party's central committee secretariat, its top governing body, four are due to stand down in next Sunday's election, having been beaten by Socialists in their own constituencies. They include M Charles Fiterman, the party's deputy leader, and M Maxime Gremetz, its foreign affairs spokesman.

M Roland Leroy, director of Communist daily newspaper l'Humanité, is in the same position. The great communist stronghold of Seine-St. Denis in the northern Paris suburbs has caved in. Four socialists are set to win seats in a department where, until now, all nine MPs were communist. In Brittany, the Communists will lose their one and only MP in the socialist advance.

M Marchais, looking worn and harassed on Sunday night, could claim that the party had halted its decline and had done well in some of its own constituencies. But the excuse he used at the time of the presidential election—that communist supporters voted socialist to make sure there was a left-wing candidate in the second round—no longer serves.

He said then that he had received "thousands" of leters from apologetic voters saying they would vote communist next time. On Sunday he had to recognise that the party was, after all, going through "a difficult time."

L'Humanité yesterday attacked the "scandalous injustice" of the two-round election system, but neither the newspaper nor party leaders expressed any surprise about the result.

"It was to be expected," said M André Lajoinie, leader of the communist group in the Assembly.

M Lajoinie, one of the minority of Communist candidates who improved their position on Sunday, making sure of retaining his seat near Vichy, warned during the presidential campaign that the party needed to win 20 per cent of the vote. Now that it is wallowing well below that level, M Marchais may not be able to escape the consequences.

His whole strategy since he took over the party in 1972 appears to have failed: first, his bid to modernise the party and make it credible through an alliance with the Socialists and adherence to Eurocommunist principles, and then, from 1977 onwards, to reinforce its own identity and stop it being squeezed out by the non-Communist Left.

In 1979, the party scored its regular 20 per cent in the European election. Since then, it has weathered a series of controversies—over Afghanistan, where it sought to justify Moscow's invasion, over a new hard-line policy on housing for immigrants, over expulsions from its own ranks, which had not happened for 10 years—apparently to no avail. Its latest 180-degree turn in support of President Francois Mitterrand has only added to the uneasiness in Communist ranks.

Confusion remains over Irish Government

By Stewart Dalby in Dublin

CONFUSION YESTERDAY surrounded the composition of the next Irish Government as the newly elected independent members of the Dail (Parliament) remained noncommittal about their voting intentions.

The outgoing government party, Fianna Fail, won 78 seats (including the Speaker), in last Thursday's General Election. Dr. Garret FitzGerald's Fine Gael won 65, Labour took 15 seats and independents 8.

Since two of the independents are H-block prisoners, and cannot take their seats, it means, in theory, that Fianna Fail must win over at least four of the remaining independents or persuade some to abstain.

Mr Charles Haughey, leader of Fianna Fail, and Dr Garret FitzGerald, leader of the Fine Gael, are both trying to form governments.

Mr Neil Blaney, the independent Fianni Fail member for Donegal, has said he might support Fianna Fail on economic issues but not on Northern Ireland. Dr John O'Connell, the renegade former Labour Party member, has indicated he might support Fianna Fail. One of his demands is more spending on the health services. He is a doctor.

Mr Sean Dublin Bay Rockall Loftus, a colourful individual from Dublin, clearly does not know where he stands if his comments, reported in Dublin newspapers yesterday, are anything to go by.

In one morning newspaper, he was quoted as saying he would support Fianna Fail providing it met his demands over the reform of Dublin Docks. In another, he has been reported as saying that since he has been fighting to get into the Dail for 20 years, he was not going to "take the shilling" from anybody.

Mr Joe Sherlock, elected for Sinn Fein — the workers' party — who on his record would seem to lean towards either Fine Gael or the Labour Party, has said he will be guided by the wishes of his party.

Mr Jim Kemmy describes himself as a Socialist and would probably line up behind Dr FitzGerald. Dr Noel Browne, a longtime political maverick who is in his mid-sixties, looks 45 and was a minister in the 1948-51 coalition government, said he does not like the look of either Mr Haughey or Dr FitzGerald

The balance of confusion among the independents would therefore seem to favour Dr FitzGerald. However, it is by no means certain that he can get the 15 members of the Labour Party to join his coalition.

A further complication is that Mr Frank Clusky, the leader of the Labour Party, lost his seat. The party therefore has to elect a new leader on Wednesday. This leader is then committed to addressing a national convention of 1,500 delegates next Sunday to seek a mandate to join a coalition.

The Labour Party fared very badly in the election and is in the throes of a fierce debate about whether it should try to establish an identity by remaining independent.

Danish strike over

Danish newspapers resumed publishing yesterday following the collapse of a strike by print workers which had lasted since March 27, writes Hilary Barnes in Copenhagen.

Investment bank capital doubled by Community

BY JOHN WYLES IN LUXEMBOURG

MEMBER governments of the European Community yesterday agreed to double the European Investment Bank's subscribed capital to £7.76bn following a rapid expansion in the bank's borrowing and lending in the past four years.

With borrowings totalling £1.35bn last year, the EIB has become a major presence in international capital markets. Since most of its funds go to EEC borrowers, both public and private, its lending operations are now a central part of the Community's attempts to revive backward regions economically.

The bank is prevented by its statute from allowing its outstanding loans and guarantees to exceed 250 per cent of its subscribed capital. This imposes an absolute limit of 18bn European currency units (£9.72bn) and when loans and guarantees reached £7.128bn at the end of last year, the bank decided to seek more capital.

This was approved by EEC Finance Ministers meeting here as the EIB's board of governors. At the same time, they approved the bank's 1980 annual report which showed a 14 per cent growth in overall lending (including to Third World countries) to £1.89bn of which £1.68bn came from the bank's own resources. Lending within the EEC rose by 20 per cent to £1.48bn of which close to 80 per cent was concentrated in Italy, Ireland and the UK.

A total of £1.08bn was lent to regional development programmes with more than four fifths helping regions with unemployment rates at least 25 per cent above the EEC average.

Most of the bank's other lending has been channelled into energy conservation and oil substitution projects

Air traffic stopped again by strike in Italy today

BY RUPERT CORNWELL IN ROME

AIR TRAVEL to and from Italy will be brought to a standstill today for the second time in three days as the chaos in the country's transport sector shows no sign of abating.

The latest disruption (like much of that earlier in the year) is due to industrial action by the air traffic controllers in protest at the Government's failure to complete their change in status to civilian, instead of military, personnel.

The difficulties for anyone bold enough to wish to take an aircraft here, however, are compounded by inter-union jealousies. Whereas Sunday's stoppage was caused by controllers belonging to the "big three" confederated unions, today's strike is by their counterparts in the fast-growing "autonomous" or independent unions.

Since the aim in both cases is the same, each group is seeing to it that the other's strike is a success. If the Government does not take firm action, further strikes are threatened. This prospect is all the more likely in that Italy, for the time being, has only a caretaker Government, and will continue in this position for at least another week.

The disruption in transport is causing grave concern to tourist operators here as well as to managers of the economy, who had been relying on a boost in tourist income to help reduce Italy's balance of payments deficit.

Early season reports, however, indicate a drop of up to 15-20 per cent in the number of visitors. Inflation is cited as the main reason but the growing uncertainty of whether or when one will actually arrive in Italy is clearly another.

Portuguese Prime Minister fights off party challenge

BY DIANA SMITH IN LISBON

THE PORTUGUESE Prime Minister, Sr Francisco Balsemao, has put down a rebellion in his Social Democratic Party and reasserted his leadership. At a crucial meeting of the party's national council at the weekend, Sr Balsemao harshly criticised attempts by a small but vociferous group of social democrats to challenge his leadership of the government and party and, by the end of the meeting, received an overwhelming vote of confidence.

The rebels, who include Sr Anibal Cavaço Silva, the former Finance Minister and Sra Helena Roseta, an outspoken MP, have been defying publicly and privately, Sr Balsemao's *low-key approach to government* and party politics since his appointment last January.

Sr Balsemao . . . leadership reasserted

Their animus towards the leader they chose appears to have been focused on his willingness to maintain a quiet working relationship with President Antonio Ramalho Eanes. The Prime Minister's approach is in strong contrast to the perpetual confrontation adopted by Sr Francisco Sa Carneiro, his predecessor who was killed in an air crash, as a 1980 electioneering tactic that did not pay off.

Portugal has no general election due until 1984 and no presidential election until the following year. This does not appear to have deterred Sr Balsemao's challengers from trying to keep up an exhilarated electioneering spirit while Ministers try to concentrate on the urgent business of government.

Hopes rise for Dutch coalition

By Charles Batchelor in Amsterdam

PROSPECTS for the formation of a centre-left government in the Netherlands have improved markedly with the decision by a special Labour Party congress to adopt a conciliatory stand.

This was in sharp contrast to the pre-election congress when the party executive was under strong pressure from its left-wing to adopt radical policies. It also marked a break with dogmatic party attitudes which, in 1977, led to Labour's exclusion from government in spite of its large electoral gains.

At the weekend congress in Den Bosch, the executive adopted a clearly moderate line. The party will take into account the six fighting principles chosen as the basis of party policies when assessing the progress of the coalition talks but it refused to be bound uncompromisingly to them as some members wished.

These principles include refusal to allow Nato to station Cruise missiles in the Netherlands and rejection of most of the nuclear tasks allotted to the Dutch by the Atlantic alliance. They also include a promise to shut down the two nuclear power stations in operation and to maintain, as far as possible, the real purchasing power of the minimum wage.

Mr. Max van den Berg, Labour's chairman, was also successful at the weekend in his appeal for the party not to reject outright the claim of Mr Dries van Agt, the outgoing Prime Minister, to a second term in office. Mr van Agt has said he should lead any government which includes the Christian Democrats since it is the largest party in Parliament.

Krupp will cut 4,000 steel jobs

By Jonathan Carr in Bonn

KRUPP STAHL, the West German steel group, will shed about 4,000 jobs by the end of next year under the restructuring plan approved by its supervisory board last week. The company made this clear yesterday following the emergence of conflicting reports, partly involving Iranian representatives on the board, about what the plan entailed.

Originally, there had been talk of some 5,000 jobs being lost as Krupp sought to rationalise and concentrate its crude steel production to take account of the deepening crisis in the European steel industry.

Krupp worker directors lobbied the Iranians on the board and were assured that mass redundancies were not in keeping with the principles of the Islamic revolution. Iran has long had a stake of more than 25 per cent both in Krupp Stahl and in Krupp Gmbh, the holding company of the diversified Krupp interests.

Last week's supervisory board was then said to have produced a compromise, with the restructuring plan divided into two phases, coupled with an investment programme and fewer jobs being lost.

It now emerges in fact, that about 4,000 jobs will go by the end of 1982, although Krupp stresses that this will be largely achieved through measures like early retirement, not through dismissal.

Further, the steps to be pushed through by the end of next year are described only as a "first stage" of the restructuring programme. What personnel measures the second phase will entail depends on how the steel market develops.

The stand taken by the Iranians has been sharply criticised by several leading West German newspapers. Krupp stresses, though, that it is keen to continue its co-operation with the Iranians and believes the feeling is mutual.

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Four leaders of a small Polish opposition group were put on trial in Warsaw yesterday charged with plotting to ovethrow the Communist system. From left: Mr. Leszek Moczulski leader of "Confederation of Indepndent Poland," Mr Roman Szeremietiesw, Mr Tadeusz Stanski and Mr Tadeusz Jandziszak. The opening session was devoted to the reading of the indictment. None of the men, who could face sentences ranging from five years' gaol to death, entered any plea

Walesa says Soviet intervention 'insane'

BY LESLIE COLITT IN BERLIN

IF THE Soviet Union decided to intervene in Poland "it would be the greatest and most insane mistake it could make," Mr Lech Walesa, leader of the Solidarity, the independent union, has said in a lengthy interview with Der Spiegel, the West German news magazine. "In the end we would win, although I don't know the price," he added.

It would take "ten tanks in order to guard me effectively. A few years ago 60 policemen were not able to do the job." He pointed out that Polish history has "turned us into leading experts in resistance."

On the question of Solidarity's plans, in the event of an intervention, for workers to occupy their factories and to turn them into fortresses, Mr Walsea said tersely: "We shall see." If Poland were invaded and Poles were forced to work in order to obtain ration cards, he said, he could "easily imagine lots of pretty little doll carriages rolling off the assembly lines of armaments factories.

"We know more than enough ways of effective resistance against any kind of occupation."

Asked why Solidarity had not made constructive proposals for economic reform, Mr Walesa replied: "You might as well ask a nine-month-old child why it has not yet composed a symphony."

The hardline West German Communist Party, meanwhile has raised the possibility of Soviet intervention in Poland if "subversion" there worsens.

The weekly newspaper of the pro-Moscow West German Communists said there is a "clerical" and an "American" line within Solidarity in Poland. The Polish Catholic Church, it said, does not want "subversion in the country" to reach the point where the "Warsaw Pact countries would feel bound to intervene."

U.S. tries to stiffen Europe's nuclear resolve

BY BRIDGET BLOOM

THE WESTERN alliance could suffer lasting damage if members were to withdraw from thteir commitment to modernise Nato's European nuclear forces. Mr Lawrence Eagleburger, one of President Ronald Reagan's key policy advisers warned in London yesterday.

In a speech clearly designed to appeal for unity in two major areas of current contention between the U.S. and its European allies — arms control talks and defence spending — Mr Eagleburger reaffirmed that the Reagan Administration "favours serious arms control negotiations aimed at balanced and verifiable agreements," not those "designed primarily to lull the West into a false sense of security."

He told an audience at the Royal Institute of International Affairs that Nato faced a challenge of "perhaps historic significance." The growth in Soviet military power posed the U.S. and its allies with a qualitatively greater threat than ever before.

Nato's impressive response to that threat had been its 1979 *decision to modernise theatre* nuclear forces (TNF) in Europe, as well as pursuing arms control talks with the Soviet Union, a decision which was *reaffirmed* at last month's Rome meeting of Nato Foreign Ministers.

Should the alliance now retreat from that TNF commitment, "substantial and lasting damage could result." Mr. Eagleburger said. He added that such withdrawal would lose the alliance credibility with the Soviet Union and "create a feeling of betrayal among the American people, who would not understand why the allies are less committed to their security than is the U.S."

Mr Eagleburger referred to defence spending in similar vein. The U.S. could not be expected to carry the burden *of alliance defence alone,* he said.

The U.S. had undertaken "a costly defence improvement programme" and it was important that Europe should also contribute the necessary resources. The price of not doing so would be "inevitable transatlantic discord, while we deprive ourselves of the strength needed to restrain the Soviets and to persuade them to move from confrontation to meaningful negotiation."

The main thrust of his argument was that, after a decade of drift and uncertainty, the Reagan Administration's foreign policy showed a "resurgence of confidence."

Mr. Eagleburger, who is Assistant Secretary for European Affairs in the State Department, will lead the U.S. *delegation to tomorrow's* meeting of NATO's Special Consultative Group in Brussels.

The group was established in the wake of the 1979 TNF decision, comprising senior officials of the U.S. and NATO's European members. Its main function is to prepare an allied negotiating position for full scale TNF negotiations between the U.S. and the Soviet Union which the former has promised to hold before the end of this year.

The ideas for reform which M Gaston Thorn and his colleagues produce will have to be good ones, writes **John Wyles**

The Commissioners draw up their blueprint for a better Europe

AFTER FIVE months of frequent and sometimes unfair criticism, the European Commission is now determined to *prove it is not an albatross* hanging round Europe's neck but a creature of promise and intelligence. Much detailed work remains to be done on proposals to reform the Common Agricultural Policy and to recast the Community's budget but member governments are beginning to be encouraged by signs that the Commission may be able to point out possible solutions to some of the Community's current problems.

This does not mean that the *blueprint the Commission* will present to member governments next week will be universally acclaimed for its wisdom. It will rather resemble a child's drawing where the numbers have to be joined in sequence to produce a comprehensible outline. Some member states will claim that numbers are missing and one or two will almost certainly prefer a rather different outline. Over the next six months to a year, the Ten will spend a considerable amount of time on arguing and negotiating the detail and in the process some principles proposed by the Commission will be modified or abandoned.

In a real sense, preliminary negotiations are already taking place between M Gaston Thorn, the Commission's President, and his 13 colleagues, since few wish to stray too far from the *preferences of the Governments* which sent them to Brussels. Thus, the contents of the Commission's final document cannot be taken for granted until it leaves for the printers. However, with M Thorn pushing and cajoling, and with M Emile Noel, the Commission's secretary-general, masterminding the basic questions to which the Commission must find answers, a general approach to Community reform is starting to emerge.

The Commission has divided its task into three parts: reform of the Common Agricultural Policy; improvements to and developments of the regional and social funds and Community loan schemes; and modifications to the budget so that the UK and West Germany no longer suffer the "unacceptable situation" of making much the largest net payments to the Community budget.

All three elements are closely related, but Agricultural Policy is largely the hub on which the whole enterprise turns. After a 25 per cent a year growth in Agricultural Policy spending between 1975 and 1980, agriculture now has to be straitjacketed before it consumes all the money the Ten allow Brussels to spend.

There is nothing new in the *approach the Commission looks* likely to recommend, nor in the analysis on which its reform principles are based. But reformers have been so consistently defeated in recent years by the superior political firepower of the Agricultural Policy's guardians that the Commission's proposals may seem as refreshing as the first day of spring.

The European Commission has divided its task into three parts: improving the regional and social funds, modifying the budget, and reforming the Common Agricultural Policy. But agricultural policy reform is the hub around which the whole enterprise turns.

They will be based on the view that the Agricultural Policy is hopeless at providing a balanced supply of basic products while at the same time, assuring all farmers of a reasonable livelihood. Most Community farmers are small and relatively inefficient. The price increases they need for their products galvanise the more efficient farmers into overproduction, leaving the consumer to foot the bill.

In most recent years, the bill has been far higher than if world market prices had been *paid. Therefore, the Community* has to spend nearly half its growing farm budget subsidising the export of its surpluses. Most of the rest goes on buying this surplus to keep Community market prices high in the first place.

The Commission seems set to tell member governments that they should:

- Try to align Community farm prices much more closely to world prices over a period of years. This means that many Community prices must be allowed to fall in real terms;
- Set production quotas to control the growth in output of surplus products and those which will become surplus (like olive oil after Spain joins the Community);
- Develop a system of income aids for farmers who might otherwise be badly squeezed by these basic changes to the policy;
- As Community prices move closer to world levels, step up the Community's food exports through long-term contracts and new marketing instruments.

This new approach will be politically difficult to settle and technically hazardous to implement, and the Commission is still wrestling with the basic problems of how to slip these new foundations under the Common Agricultural Policy. But governments which are fearful of a political backlash from conservative farming populations, will be told that the changed Agricultural Policy could contribute towards cutting inflation instead of periodically stoking it, that it could help to close the gap between the poorer farming areas of the Community (mostly in the UK and Italy) and the richer ones (France and West Germany), instead of widening it, and that Agricultural Policy spending could at last be controlled and planned to free more resources for other policies.

The main beneficiaries of cutting the Agricultural Policy's share of the budget would be the regional and social funds. Although still not worked out in detail, the Commission's tack here is to try to streamline these two policies so that they focus much more clearly on Community priorities for economic recovery and industrial regeneration and are much better co-ordinated in their impact.

This will mean cutting back on the number of regions eligible for Community aid and then ensuring that it goes to infrastructure and job-creation programmes for economic and social recovery. Essentially, Commissioners want the Community's contribution to be more effective and to be seen to be more effective by the population which is benefiting.

A controlled Agricultural Policy and more regional and social spending would over a period of many years help to reduce the UK's net payments to the Brussels budget. But action is needed almost immediately to replace a temporary three-year arrangement which expires next year and which slices about a half off the UK's annual bill.

All that the Commission has settled at the moment is that some kind of mechanism is needed and that it should serve the aim of transferring resources from richer to poorer member states. Whether it will cut West Germany's budget payments remains to be seen. The Commission wants the Ten to bear in mind that there are benefits in Community membership to be weighed against budgetary disadvantages.

West German industry has profited enormously from the single Common Market and the Commission may take the view that Bonn should continue to make very large budget payments. It is thought the West Germans could accept this if some of the budget burden is also taken up by other prosperous member states, particularly Denmark, but also the Benelux states, because these four draw more than £700m a year in net receipts from Brussels.

Thus, the negotiations after the Commission presents its report will force every member state to re-examine the costs and benefits of belonging to the Community. They will also be forced to decide what sort of Community they want for the future and how it should be adapted to accommodate at least two more members—Spain and Portugal. The experience could bring about a recovery of the Community's vitality or it could be a fiasco which will put such a recovery beyond reach. That is why the Commission's proposals have to be good ones.

David Marsh in Basle assesses the implications of the report published yesterday by the BIS, the "central bankers' bank"

Monetary restraint 'not enough' to fight inflation

GOVERNMENTS are placing too much emphasis on restrictive monetary measures in their fight against inflation, the Bank for International Settlements warns in its annual report published yesterday.

It urges greater reliance on other complementary policies—including fiscal restraint and incomes policy—to lower the political and social costs of a purely monetary attack on rising prices.

"The overwhelming reliance placed on monetary policy . . . is creating increasingly serious problems," the Bank says.

A restrictive monetary stance unaccompanied by other measures threatens to lead to persistent under-employment. "Since the political and social implications of such an option may become intolerable, the danger is that not only the restrictive monetary policy itself but also any anti-inflationary initiative will be prematurely abandoned. The consequences of choosing this course would involve a policy setback of incalculable proportions."

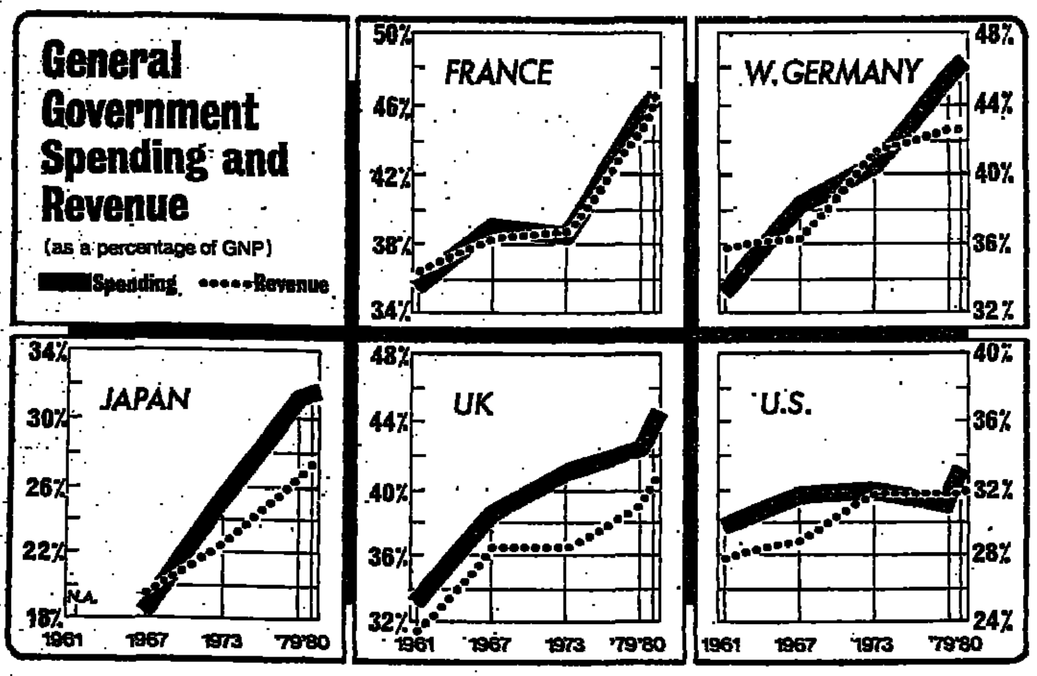
The Bank points out that the existence of large public-sector deficits alongside policies of monetary restraint risks putting the whole weight of monetary restriction on the private sector and thus squeezing corporate investment.

"The result will be a slowdown in fixed capital formation and, consequently, the erosion of the economy's potential for future growth. The chances of reabsorbing unemployment, even in the longer term, will thus be jeopardised."

Looking at the setback to the world economy caused by the 1979-80 oil price rises, the Bank says the industrialised world is grip of interlinked inflation and energy constraints."

But it points to some encouraging factors. Although industrial production turned downwards in most countries during last year and unemployment is rising, the recession has generally been milder than after the "firmly held in the double-lock first big oil price rise in 1973/1974.

Nearly all countries have given priority to fighting inflation. The price-rising effect of the higher cost of oil has not spread throughout the economy to the extent it did six years ago and, more importantly, wages have been rising more moderately than they did last time, in both money and real terms.



As a result both corporate profits and fixed capital formation, while weakening, have held up better in a number of countries than after 1973/74.

The bank also welcomes moves to conserve energy brought on by the universal conviction that the higher real price of energy—particularly of oil—is here to stay.

Governments have introduced positive adjustment policies by promoting domestic oil production or energy substitution, and both corporations and households are saving oil.

"The result is that the decline in oil consumption per unit of gross national product has speeded up. . . . Progress is not universal and is still not fast enough. . . . But it is at least under way."

After 1973-74, the Bank says, many countries followed policies which attempted to repress or postpone the inflationary consequences. During the second episode, most countries allowed prices to increase to curb energy dependence.

Apart from energy prices and rents, other components of consumer prices — food, services and non-energy commodities — rose more moderately in most countries during 1979-80 than after the 1973 price explosion.

As a result, overall consumer prices rose less during 1979 and 1980 — by around 20.5 per cent on an unweighted basis in the Group of 10 and Switzerland—than they had done in the two years after the first oil shock, when the increase had been about 24 per cent.

This partly reflects the relatively weak state of labour markets. The Bank believes unions and management have been through a "learning process" in which the two sides of industry have been more willing to accept the real-income losses caused by the second oil price-induced deterioration in the terms of trade.

Most countries achieved "quite good" results in their efforts to restrain monetary expansion within pre-set targets last year, the Bank says.

The only marked overshoot occurred in the UK.

However, the bank points out that many countries experienced large quarter-to-quarter fluctuations in rates of monetary expansion.

In clear reference to U.S. monetary policies, the report says: "Even with improved procedures, it may in practice be impossible for the central bank to smooth out short-run fluctuations in rates of monetary expansion. To attempt to do so may place unnecessary pressure on interest rates and exchange rates."

Despite faltering economic growth and outright recession in some countries, governments are not trying to renew expansion and reduce unemployment through stimulatory fiscal measures.

"Instead of concern about bolstering aggregate demand, a sense of urgency about the growing imbalance between the market and non-market sectors, or more broadly, between the private and public sectors, is almost universally observed. This imbalance is widely viewed as a serious impediment to productive investment and the maintenance of adequate growth potential."

At the same time, an enormous expansion of public sector spending is obvious in every country and, in many, increases in government borrowing requirements are now in prospect.

Governments' optimism about future growth prospects, relatively rapid increases in public sector pay, and inflation-linked benefit payments, are all to blame for this.

"It is no accident that the growth of government should have gone hand in hand with a long-term worsening in inflation. The commitment to full employment and the emergence of the modern welfare state have changed attitudes and imparted an inflationary bias to economics."

Large and persistent deficits may be "crowding out" private sector activity, despite the generally high levels of unemployment.

Government borrowing requirements may be contributing to the high level of interest rates, which have added to the squeeze on the corporate sector.

Faced with shortages of internal resources, a lack of outside risk capital and interest rate uncertainty on the bond markets, enterprises in many countries have come to rely very heavily on bank credit granted at variable interest rates and on such short-term market instruments as bills, acceptances or commercial paper.

This partly reflects companies' efforts to economise on cash balances. "But it has made firms more vulnerable to adverse economic and financial conditions."

The Bank asks: "Are monetary and fiscal policies enough?" and says that the greater reliance on monetary policies in most countries does not imply that incomes policies are everywhere becoming obsolete. It points to the examples of Austria, the Netherlands, Belgium, Scandinavia and West Germany where the Bundesbank's monetary targets provide a "framework" for wage bargaining.

It calls for "some more direct form of anti-inflation policy—be it known as concerted action, social compact or incomes policy" to lower the risks of constantly pressing down aggregate demand.

But the Bank concludes that "the authorities in various countries have not yet succeeded in creating the market structure and social cohesion needed as the basis of such a policy."

In such cases, the Bank suggests: "The restrictive fiscal and monetary policies which have been appropriately applied in the short term will remain appropriate for a longer period."

'Far too volatile' conditions on currency markets

THE RECYCLING of the oil-exporters' current account surplus has been eased by the concentration of a large part of the global deficit in wealthy industrialised countries led by West Germany and Japan, the Bank for International Settlements says in an analysis of balance of payments and exchange rate trends.

Most countries suffering from the largest deficits could borrow relatively easily on the international markets and some had ample external reserves on which to draw.

However, this constellation of external balances, coupled with the more conservative U.S. monetary policy and the Federal Reserve's new operating technique, has led to a "host of new problems," including "far too volatile" conditions on currency markets.

Wide exchange rate movements have taken place completely opposed to those of the mid-1970s. "It has been the turn of the less inflationary countries' currencies to depreciate, while those of the more inflationary ones have become stronger."

The Bank warns that this could be storing up trouble. Exchange rate fluctuations induced by wide movements in short-term interest rates may mask the influence of underlying factors, the chief of which are relative inflation rates.

"But this impact cannot last indefinitely. The influence of relative inflation rates will, in the long run, predominate and, in turn, trigger fresh exchange rate fluctuations."

The workings of U.S. monetary policy at times last year led to the emergence of double-digit interest rate differentials in favour of the dollar, as well as to unprecedented volatility of dollar interest rates.

"In these circumstances, large-scale official intervention was powerless to prevent major fluctuations in bilateral exchange rates. The only exception was the European Monetary System, where the stability of exchange rates during 1980 owed much to the weakness of the D-Mark."

It estimated the current account surplus of Organisation of Petroleum Exporting Countries rose to $108bn last year from $65bn in 1979, while the deficit of the Group of 10 and Switzerland rose to $53bn from $22bn. The aggregate deficits of the other developed countries and the non-oil developing nations also rose by more than 50 per cent, to $24bn and $61bn respectively.

More than half last year's overall deficit suffered by the Group of 10 and Switzerland accrued to West Germany and Japan, which were able to borrow directly from Opec.

The bank points out that non-oil developing countries were particularly hit last year by an increase in their deficit on invisibles trade, to $13bn from $6bn.

These countries' interest payments on long-term loans are thought to have increased by $14bn between 1978 and 1980.

Comparing the pattern of identified placements of the Opec surplus between 1974-75 and 1979-80, the bank points to two trends.

First, the share of industrial countries in total Opec investment rose from 79 per cent in the earlier period to 86 per cent in 1979-80.

Second, there was a clear trend towards greater regional diversification of investment in the industrial countries. The shares of assets acquired in the U.S. and UK fell between the two period from 24 to 14 per cent and from 29 to 24 per cent respectively, while Opec investments in the other industrial countries increased from 26 to 48 per cent of the total investible surplus.

Warning over lending too much

COMMERCIAL BANKS involved in international lending have been warned by the Bank for International Settlements to avoid making excessive loans to countries running large and persistent current account deficits.

In a section in its annual report devoted to the international credit markets, the Bank says demand for international credit, particularly from non-oil developing countries, is likely to remain strong in the years to come.

This is likely to last even after the end of the present phase of large surpluses among members of the Organisation of Petroleum Exporting Countries.

The Banks "will need to avoid lending policies that aggravate payments imbalances."

The Bank notes it is not the job of the commercial banks to make conditional loans of the type granted by the International Monetary Fund.

"But instances have occurred in the past where the banks clearly overlent to certain countries whose payments deficits were obviously unsustainable."

The Bank says conditions for a further large increase in bank lending to non-oil developing countries are now less favourable than after the first big oil price increase in 1973-74.

It is "most important" that the International Monetary Fund should maintain and develop the enlarged role in international financing.

The fund has already recognised the need for new kinds of conditions attached to its lending, designed to bring about structural changes in countries' economies.

"These new policies, however, will by no means dispense with the need for the Fund to apply its traditional macro-economic conditionality."

The net indebtedness to international banks of non-oil developing countries (making allowance for their deposits as well as borrowings) jumped from $44bn at the end of 1978 to $102bn at the end of 1980, the bank says.

Court ruling embarrasses Reagan

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE U.S. Supreme Court yesterday handed the Reagan Administration a victory it could have done without when it ruled that the Federal Government and Congress, as well as the states, were empowered to impose environmental standards on the strip mining of coal.

The court rejected unanimously two state challenges to the legality of the 1977 Surface Mining Control and Reclamation Act, one of whose principal provisions requires strip mine operators to restore land to something approximating its pre-mining conditions.

The piquancy of the court decision stems from the fact that the Reagan Administration, under its zealous Secretary of the Interior, Mr. James Watt, is intent on pursuing policies that would, in effect, hand back to the states most control over strip mining regulations.

Earlier yesterday, it emerged that Mr Watt wants to close down over the next year five of his department's big regional enforcement offices. Employees at the Denver and Kansas City offices are being ordered to move to the Casper, Wyoming, bureau, or to resign or retire from Government.

Mr Watt's general approach is consistent with the overall philosophy of the Administration, which is to reduce federal regulation and to transfer as much authority as possible back to state authorities. But the particularly high-handed and abrupt nature of this latest edict is likely further to arouse his critics.

It also promises confrontation with Congress, where one House sub-committee has already provisionally voted to *prevent the federal Government* from spending any money to close down the regional offices. Congressional opposition is likely to be enhanced by yesterday's Supreme Court ruling.

Mr. Watt is far from alone in the Administration in leading the onslaught on Government regulation. Only last week the new head of the Environmental Protection Agency, Mrs. Anne Gorsuch, declared that she would dismantle her agency's enforcement arm.

Soon after assuming office, the two-month freeze on all new President Reagan imposed a Government regulations. Subsequently his Administration issued periodic lists of the rules it has consigned to oblivion.

Yet it is Mr. Watt who is increasingly drawing the fire of the disparate coalition of consumer activists and others, both for his actions and the often imperious way in which they have been carried out.

He has also, given the weakness of the present Energy Department, assumed much greater control over energy policies than that normally enjoyed by Interior Secretaries. He has begun to open up more federal lands (on and offshore) for energy exploration than was the custom in recent Administrations.

Outside the inner circles of the administration, it is fair to say that Mr Watt is not a popular figure in Washington. But it had been felt that he represented a prevalent school of thought in the western states, home of the so-called "sagebrush rebellion" against excessive federal Government.

Contrary evidence was offered yesterday in the shape of a Harris poll comparing the appeal, by region, of Republicans and Democrats. This found that in the West, where Mr Reagan ran so strongly last *year, the Democrats held a* 5-36 per cent edge and it cited discontent with the Administration's environmental and land policies as a prime reason for the poor Republican showing. Elsewhere in the country the Democrats' margins were tiny.

Salomons sued by former partner

By David Lascelles in New York

SALOMON BROTHERS, the Wall Street investment firm, has been named in a fraud suit by a former partner of the firm who is seeking damages of $4.6m. The litigation also involves Salomons' accountants, Oppenheim, Appel, Dixon and Company.

The former partner, Mr. Edgar Aronson, alleges that he was deprived of his rightful share of the profits in a highly successful natural gas venture *in the Gulf of Mexico* in which a number of Salomons' partners invested in the early 1970s. They included Mr. John Gutfreund, the firm's managing partner, and Dr. Henry Kaufman, its influential economist.

Mr. Aronson left Salomons to take up a post at another Wall Street firm in 1979 and on departing was told by Salomons that the gas venture was worth $25m. However Mr. Aronson claims in his court filing that "by information and belief" it was worth $140m.

Salomons is trying to have the suit settled by arbitration before the New York Stock Exchange, where proceedings would be closed and sensitive information about Salomons' financial affairs would not be publicised.

However, Mr. Aronson has now filed a further suit with the New York State Supreme Court aimed at ensuring a public hearing. Salomons has declined to comment on the matter because it is in litigation, although it claims that the suit is "without merit."

The affair is attracting attention on Wall Street because it points to a dramatic falling-out among partners at one of its best-known firms. But the evidence is also being carefully combed by competitors for clues to Salomons' earnings which are among the most closely guarded secrets on Wall Street.

Sony may make VTRs in Europe or the U.S.

BY CHARLES SMITH, IN TOKYO

SONY may soon decide to start making its Betamax video tape recorders (VTR) sets in Europe or the U.S., the company said yesterday.

It was denied, however, that the company has a definite plan to build a factory in the eastern U.S. as reported by one leading Japanese daily newspaper.

Sony's VTR capacity is limited to 150,000 sets per month but the company plans to raise this to 200,000 sets per month by the end of October and to 250,000 by next spring. Any capacity increases beyond this point could well be made outside Japan.

Since Sony sells about 25 per cent of its VTRs in Europe and between 25 and 30 per cent in the U.S., these two areas emerge as the obvious candidates for local production.

VTRs, however, would "not necessarily" be produced at existing Sony factories such as the company's San Diego TV plant. The company could decide to start a plant in another part of the U.S.—hence the unconfirmed report that an east coast site has been chosen.

Sony's admission of interest in overseas VTR production follows the news of joint venture production plans for VTRs involving Japan Victor Company (JVC) and Matsushita.

Victor plans to set up a joint venture with Thorn EMI, Thomson Brandt and Telefunken for the manufacture of various different VTR products in Europe.

Matsushita is engaged in discussions with the Stuttgart car components maker Robert Bosch on a joint manufacturing venture. Victor and Matsushita are makers of the VHS system for video tape recording, the rival version to Sony's Betamax.

Slowdown in machine tool exports

TOKYO — The Japan Machine Tool Industries Association said Japan's machine tool exports in this year are expected to rise by 7.6 per cent to Y290bn (£634m) from 1980 when they rose by 30.5 per cent to Y269.6bn from Y206.6bn in 1979.

The estimate follows expected sluggish demand from Europe due to slow economic activity and fears that demand from the U.S. auto and aircraft industries is peaking, it said.

The one-year Japanese export cartel for sales to the EEC from last January has also begun to have an effect with the year-on-year rises in exports at 30 per cent in January, 25 per cent in February and only 0.2 per cent in March, it said.

Exports in April to the EEC were unchanged at Y4.17bn from a year earlier, but in U.S. dollar terms they rose 19 per cent to $19.63m from $16.50m, the association said.

Japan's total machine tool exports in April rose by 1.3 per cent to Y23.60bn from Y23.29bn a year earlier.

Reuter

BRUSSELS — Mr Zenko Suzuki, the Japanese Prime Minister (right) arrived yesterday for talks with the European Commission and the Belgian Government amid mounting EEC irritation over Japan's trade surplus with the community. Mr Suzuki, on the third leg of a two-week European tour, is pictured shaking hands with Mr Mark Eyskens, Belgian Prime Minister. Mr Sunao Sonoda, Japan's Foreign Minister, is on the left.

Reuter

Bermuda's 'economic contrast'

By Our Foreign Staff

BERMUDA INCREASED its current account surplus on its balance of payments from $208.8m in 1979 to $316.1m in 1980. The improvement was due to an increase in invisible earnings from tourism and other services up from $415.1m to $554.9m set against a visible trade deficit of $238.8m ($206.3m).

On the long-term capital account payments increased 55 per cent to $20.9m from $12.8m. The Bermuda Monetary Authority in its annual report said that earnings from tourism ($317.4m) ($240m in 1979) and international companies ($151.2m) ($110.1m) were the main factors contributing to the economic performance.

The report describes the 1980 balance of payments position as "very favourable." It added that Bermuda's foreign exchange reserves, held almost entirely in the commercial banking system and worth $195.9m at the end of last year at current values, were indicative of a strong economic performance in the local economy. That was an increase in real terms of $66m.

"Bermuda in 1980 provided a striking economic contrast to most other countries," the report said. "Elsewhere inflation continued and growing unemployment prevailed.

Reagan daughter attacks N-power

LOS ANGELES — Miss Patti Davies, daughter of President Reagan, has said the U.S. should abandon nuclear power in favour of alternatives that are safe, abundant and harmonious to nature. Miss Davis, an actress and singer, made her remarks to a crowd of 18,000 at Survival Sunday, a fun-raising concert sponsored by the Southern California Alliance for Survival.

AP

IMF board expected to oppose observer status for PLO

BY OUR U.S. EDITOR, IN WASHINGTON

THE EXECUTIVE board of the International Monetary Fund expected to follow the lead of its sister organisation, the World Bank, and vote against granting observer status to the Palestine Liberation Organisation at this autumn's annual meeting.

The issue in front of both boards is whether to follow last year's example and freeze the number of observers at previous levels, thus excluding the PLO. The Reagan Administration has lobbied as hard for this resolution as President Carter's Government did last year.

There is, however, still some question over whether the executive boards can instruct the chairman of the joint annual meeting (this year it will be the Uruguayan Finance Minister) to issue invitations after consultation with the executive boards.

It seems that less heat is bein generated by the issue of the PLO's status this year than was the case in 1980. Then, major Arab oil-producing nations, notably Saudi Arabia, withheld financial support from routine financing operations so as to exert additional pressure on the PLO's behalf.

But this year Saudi Arabia has opened a two-year $10bn line of credit to the IMF, thus easing its liquidity problems, and seems less inclined to push the PLO cause. It remains possible that this more conciliatory attitude could change if Israel were, for example, to do to the Syrian missiles what it did last week to the Iraqi nuclear facility.

Taiwan a key issue in Haig's China talks

By Tony Walker in Peking

DIFFERENCES between the U.S. and China over Taiwan are believed to have caused talks between Mr. Alexander Haig, the U.S. Secretary of State, and Huang Hua, China's Foreign Minister, to take twice as long as expected yesterday.

Mr Haig and Mr Huang met for almost four hours, instead of two as planned. But a U.S. official would not specify areas discussed beyond saying that the two sides had reviewed bilateral relations and international issues.

There was "a great deal of agreement on international issues," he said. No such claim was made about bilateral questions. In fact the official declined to say whether there had been agreement on issues affecting Sino-U.S. relations.

The Chinese news media gave no clue as to the substance of the talks, although the impression given by a New China News Agency dispatch was that something less than unanimity characterised discussions on bilateral issues.

The Secretary of State arrived in Peking on Sunday for a four-day visit. He will meet Vice Chairman Deng Xiaoping today. On the eve of Mr Haig's arrival the Chinese attacke dthe U.S. over continued arms sales to Taiwan.

Mr Haig and Huang Hua exchanging toasts at a banquet in the Great Hall of the People

Canada sticks to tight money

By Victor Mackie in Ottawa

Mr Allan MacEachen, has said there will be no changes in the tight-money policy now in force to fight inflation.

Mr MacEachen was speaking after a Sunday Cabinet meeting called by Mr Pierre Trudeau, the Prime Minister, to map future economic strategy to combat high interest rates and inflation.

Mr Trudeau told reporters: "We talked about inflation a fair amount, and we think the Minister of Finance and other Economic Ministers will be implementing policies which will have beneficial effects.

The Prime Minister said economic and social policies and government action were discussed. "We are trying to set priorities."

Italian car sales down in May

BY JAMES BUXTON IN ROME

THE ITALIAN car market, now bigger than Britain's, showed a sharp downturn last month. May sales were 6 per cent down on the corresponding period of 1980.

However, new car registrations in the first 12 months of the year were still 3.5 per cent up on those of 1980, at 810,343. Last year, car sales were up 19 per cent on the previous year, when the Italian economy continued to grow while those of other European countries had turned down.

Italian car makers kept 59 per cent of the market for the first five months. Fiat and its subsidiaries Lancia and Autobianchi together accounted for 51 per cent of the market, virtually the same as their share in the whole of 1980.

The second biggest operator on the Italian market is Renault with 10.5 per cent of the market in the first five months. The second biggest Italian car group, Alfa Romeo, came next with 6 per cent.

A long-standing treaty limits Japanese imports to 2,00.

India's hotel policies come under attack

BY MICHELLE MISQUITTA IN HONG KONG

THE INDIAN Government's double standards in not allowing foreigners to manage hotels in India while Indians can freely manage hotels abroad, has come under fire from Mr Curt Strand, president of Hilton International, the hotel chain.

Mr Strand said that the language of the Indian law was ambiguous, but "when you probe it, really dig into it, you find that all they really want is your name and your marketing ability."

Interviewed in a travel magazine, Mr Strand said that he received two letters a day from India asking Hilton to set up in that country, but "we will stay out of India as long as we cannot manage a hotel." He added that the policy is "that we want to be in control of what it being done with our name."

The Hilton group has hotels in all the major Asian countries except for India, South Korea and Thailand, and it has signed deals which will see it opening in Seoul and in Bangkok in the next few years. In Japan it is the only foreign hotel company managing a hotel.

Yugoslavia in Airbus agreement

By Lynton McLain

THE EUROPEAN Airbus Industrie consortium has signed an agreement with Yugoslavian Soko aerospace organisation for co-operation on airliners.

Soko Vazdukoplovna Industrija Mostar, is to expand its industrial capabilities for manufacturing in the commercial aircraft sector and will take on responsibility for managing and co-ordinating in Yugoslavia the activities of Airbus Industrie.

The agreement between Airbus Industries and Soko includes plans to subcontract work on the Airbus A-300 and A-310 airliners to Soko.

Airbus Industrie has also proposed to Soko that the Yugoslavian organisation should collaborate in Airbus airliner projects to be launched in the 1980s, including the proposed A-320 twin-engine 150-seat airliner which was formally announced at the Paris Air Show earlier this month.

Airbus Industrie's present partners are Aerospatiale of France, British Aerospace which has a 20 per cent share, Deutsche Airbus, representing MBB and VFW, and Casa of Spain.

Caribbean struggles to cope with economic pressures

BY CANUTE JAMES IN KINGSTON

IN SPITE of limited growth in real gross domestic product in some countries, Caribbean economies are still in decline.

The Caribbean Development Bank says in its latest annual report that high rates of inflation and unemployment, depressed output severe balance of payments problems and eroded foreign exchange reserves highlighted the state of these economies last year.

Moreover, there is little to indicate there will be a change this year, although the decision by the Organisation of Petroleum Exporting Countries not to increase prices will give the small economies some breathing space.

There is very little that the weak, open economies of the region, with a population of 5m, can do to withstand the uncertainties of the international economic pressures, the report says.

The bank adds: "The region's vulnerability arises from its dependence on imports, not only of food and other consumer items, but of fuel and other essential international capital goods to support its productive activity, and on a narrow range of domestic products to generate foreign exchange earnings."

The region's 12 English-speaking countries covered by the bank's report, and the Bahamas, are studies in economic contrasts.

The smaller islands in the east Caribbean archipelago which depend on a "narrow range of domestic products to generate foreign exchange earnings" have suffered severe economic setbacks through a combination of natural causes and price falls.

The Windward Islands depend on banana exports, and account for just over a quarter of Britain's banana imports. But their banana plantations were destroyed by hurricanes. As a result, Dominica, for example, suffered a 15 per cent fall in real GDP.

Grenada, which depends on cocoa exports to Britain and other EEC members, suffered a setback last year when cocoa prices tumbled from £1,500 per tonne to £970. The island stagnated, with real GDP growth being minus 1 per cent last year—the first year of decline in the past decade.

At another level, Jamaica suffered from the destruction of its banana crop by hurricanes, increasing oil prices and a failure to obtain foreign aid, after the previous government ended talks with the International Monetary Fund.

The region's economic picture is disturbed by the performance of the Trinidad and Tobago economy, which grew by 22 per cent in real GDP last year because it is a net exporter. While other countries scraped the barrel for scarce or non-existent foreign reserves, Trinidad and Tobago boasted assets of US$2.5bn.

The report says tourism increased only slightly during the year. But most of the countries in the region which depend on tourism have earned

There is little hope for the Caribbean Commonwealth countries to pull out of this economic malaise. Most are trying to shore up their battered economies by seeking external aid. But they are all destined to mark time or stagnate for the next few years.

Hyundai wins Burma deal

RANGOON — Hyundai of South Korea has won a Burmese Government contract to build the main dam in a $235m (£111m) irrigation and hydro-power project, according to irrigation department officials.

Construction of the dam is to begin late this year at Nyaunggyat, 560 kilometers north of Rangoon and is expected to take about five years. The tender for the dam was worth $76m.

The multi-purpose project will have a power generating capacity of 56 MW and will irrigate 300,000 acres of farmland.

The World Bank has pledged a loan of $90m for the project, with West Germany lending $45m, Japan $15m and Norway $6.4m. The Burmese Government is putting in $78.6m.

AP-DJ

How the strong dollar has eased the U.S. textile export threat

BY SUE CAMERON AND RHYS DAVID

THE THREAT to the European chemicals and fibres industries from cheap U.S. exports has abated. Some U.K. and continental producers are now privately admitting that it may have been exaggerated.

The pressure of U.S. exports, helped by what was seen as an unfair cost advantage based on controlled energy prices, has eased considerably. But the basic reason for this may not have been the deregulation of oil prices by the U.S. earlier this year. Rather, pressure has eased because of the weakening of sterling against the dollar and the signs of an upturn in the U.S. economy.

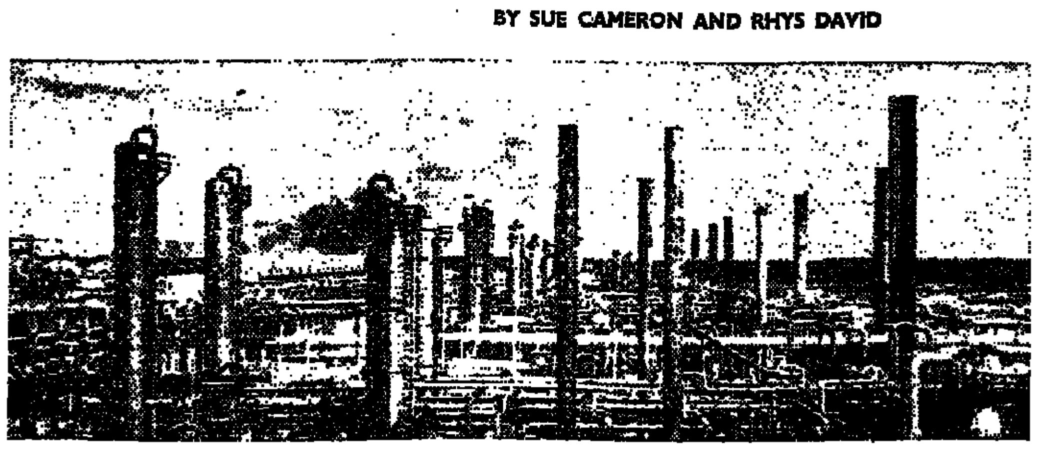
Last year British chemical and fibre producers complained the loudest about the U.S. threat. But industry experts now suggest that the real problems may have been the strength of the pound and the drop in demand caused by recession. There has been little U.K. lobbying about U.S. cost advantages, based on energy, since the pound started to weaken against the dollar, the experts noted.

'Scapegoat'

Some UK companies may have been using the U.S. threat to some extent as a "scapegoat" for their general woes last year, one expert said. Low-priced U.S. exports had a real impact on the profitability of some European companies because they helped drive down selling prices. But, he stressed, they had not been significant in volume terms.

There are now hopes that the U.S. may follow its deregulation of oil prices with a quicker deregulation of gas prices than first expected. But this is linked with speculation that gas prices would not automatically increase substantially.

Gas supplies are plentiful and gas consumers are enjoying what is sometimes called a "gas bubble." Further, there is no established international price for gas as there is for crude oil. All this has led to the feeling that it would be comparatively painless for the U.S. to deregulate gas prices next year. The longer the Reagan Administration delays, the harder it will be to push the measure through.



Glyn Genin

Fears have been allayed for chemical and fibre plants

Although such a formal move has been the subject of prolonged negotiation between the U.S. and the EEC, other and wider economic developments may now be more influential in affecting chemical and fibre trade patterns.

Plateau

The UK fibre producers have this year discerned a slowdown in the rapid growth of U.S. exports of yarns, carpets, bed linen and similar products. Shipments have settled on a plateau, a U.S. analyst pointed out, because demand weakened in the European markets. In Britain textile output fell by 20 per cent during the recession.

At the same time demand in the U.S. for fibre has remained surprisingly buoyant in spite of very high interest rates. The need to go on searching for further export growth to utilise spare capacity has diminished.

According to Dr Anantha Raman of First Boston Corporation fibres analysis team, the industry's overall shipments are expected to rise 5 per cent over all this year and a further 10 per cent next year as the American economy continues and inflation is squeezed.

Significantly, in some important markets such as carpets, fibres are now on allocation and some European fibre is being imported, and even in polyester filament—previously the most depressed fibre—the two leading U.S. producers, Du Pont and Celanese, now claim to be working at near capacity and close to break-even. The industry has recently put in a new round of price increases. With little new capacity scheduled to come on stream in any of the main fibres, a further hardening is expected.

Prudence

The realignment of the dollar against European currencies, particularly sterling, has been affecting not just the price of basic fibres but the wage cost advantage which the Americans had begun to gain in added value items such as carpets and sheets.

Finally, though the U.S. Government pronounced itself unable to influence directly the activities of its exporters the messages it conveyed to them about the concern being felt in Europe, seems to have induced some prudence into their marketing.

Israel set to attack missiles

By David Lennon in Tel Aviv

ISRAEL is ready to attack the Syrian anti-aircraft missiles in Lebanon as soon as Mr. Philip Habib's peace mission finally runs out of steam.

Military officials in Tel Aviv indicated yesterday that they expect to have to take action, and that this could develop into a larger conflict with Syrian forces in Lebanon.

They stress that even though Israel has waited more than six weeks for the diplomatic process to try to resolve the crisis, Israel's objections to the presence of the missiles remains unchanged. The missiles pose a threat to Israeli aircraft flying on reconnaissance missions over Lebanon, it was claimed.

Mr Menachem Begin, the Prime Minister, issued his sternest warning yet about the missiles at an election rally on Sunday. He said that when Mr Habib arrives later this week, he will tell him: "If you do not move them we will."

The general impression within Israeli military circles is that President Hafez al-Assad of Syria is hoping for a military confrontation with Israel in Lebanon. But officials hinted that if there is a conflagration, it may not follow the restricted pattern desired by Damascus.

Hussein warns: Mid East at crossroad of open war

KING HUSSEIN of Jordan, usually considered to be among the most moderate and Western-oriented of Arab leaders, yesterday took the unusual step of making public the text of a letter he sent to President Ronald Reagan on June 11, following the Israeli air attack on the Iraqi nuclear research establishment near Baghdad.

The following is a partial text:

"A sustained crusade is being perpetrated by the outrages committed by Israel in the very guts of the Muslim homeland, extinguishing, as they do, any glimmer of hope for civilised and disciplined human relations for the people of this troubled region.

"The sneak attack on the nuclear plant near Baghdad by the so-called Israeli defence force is the latest in a series of unprovoked and humiliating acts against the Arab nation.

"It is my belief that today this vital region of the world stands at a moment of truth—at a dangerous crossroad of open war and continued human suffering.

"The consequences of Israel's aggression must raise the following questions: Do the arrogant and insulting statements of the Israeli Prime Minister and the action of his military machine mean that real politik is in the sole and exclusive service of Israeli politik?

"Does the colossal financial and military support to Israel carry no moral condition or constraint, and what intolerable goal does it hope to realise?

"The unquestioning and highly-developed committment of successive U.S. administrations to the apparent fulfilment of Israel's opportunistic militarism has developed a regional Israeli dimension. Does the United States intend to relinquish its role as superpower to a vicarious Israeli perception of the region's security?

"Is it not a case of double standards that Iraq which, as you are aware, Mr President, signed the Nuclear non-proliferation Treaty, should come under attack when Israel's sinister and highly questionable nuclear programme and capability is conveniently disregarded, under Zionist pressures, by influential circles?

"The violation by Israel of norms of international law of air, sea and land, the killing of Arab men, women and children, the recent loss of a French national and the death in the not too distant past of American servicemen aboard the ill-fated USS Liberty, all indicate to the Arab people that there are no standards when it comes to the case of Israel.

"The hearts and minds of Muslims and the Arab people have suffered beyond human limits after 14 years of occupation of Palestine and Jerusalem—the symbol of peace. Are they today, expected to submit to the reaffirmation of, and I quote . . . 'The long-standing moral, political, military ties between the U.S. and Israel.'"

King Hussein: "Does U.S. support for Israel carry no moral condition?"

Syrians stand fast against threat of Israeli raids in Lebanon

BY JAMES BUCHAN IN BEIRUT

MR BEGIN'S threat to destroy Syria's missiles in Lebanon has added yet one more twist to the mounting tension in the Middle East.

There is a strong suspicion, not only among the Lebanese but also at Western Embassies, that Mr Begin could still order a major attack on Lebanon—if not on Syria's SAM-6 missiles in the Bekka Valley, then on a Palestinian stronghold such as Beaufort Castle in South Lebanon.

At the very least, Mr Begin is thought to be trying to refocus world attention on the threat from Lebanon to ride the crest of Israeli applause for last week's bombing of the Iraqi nuclear reactor, and to divert the international outcry that has ensued.

What is most worrying is that Mr Begin has set a deadline for Mr Habib's special mediation effort.

The almost continuous shuttle by the U.S. envoy, which is being undertaken with a parallel Saudi-led Arab League effort to reconcile the different parties in Lebanon's internal strife, has been deeply embarrassed by the Israeli action in Iraq.

And if Mr Habib or the Arab League are not successful, it is believed there will be no chance that Syria will move the missiles in the immediate future and that, if they are destroyed from the air, they will be replaced.

Israel's attack on the Iraqi reactor, and the mounting Arab fury, have had three major effects on the missiles affair.

● While Syria is in no position to go to war, its determination not to give in to U.S. blandishments over the missiles has been increased. Damascus has no desire to be shown to be as impotent as its rival Báathist regime in Baghdad.

A symptom of the harder line was a statement in the party newspaper, Tishrin, in Damascus at the week-end that the U.S. was directly responsible for Israel's "mounting aggression," and therefore could not mediate.

The shooting down by Syria of another Israeli pilotless reconnaissance aircraft on Saturday will merely increase the determination of both countries in a battle for the air over the vacuum of Lebanon.

● Arab solidarity has improved to the extent that Syria probably no longer feels so desperately isolated over its presence in Lebanon. It was quite evident from statements yesterday by Colonel Gaddafi, the Libyan leader, that he was willing to bury his quarrel with Iraq, Saudi Arabia and Morocco, and by King Hussein of Jordan, that "all Arab states were threatened by the American weapons supplied to Israel."

● There is a strong Arab feeling that even if the U.S. did not connive at the Israeli raid, it singly failed to prevent it. This feeling, which is coming to a head at the United Nations in New York with Arab efforts to "punish Israel," is particularly embarrassing for Saudi Arabia because of its close relations with the U.S. and its involvement with the Habib mission.

It is argued by parties hostile to Syria that Damascus is exacerbating the struggle between Lebanon's Christians and the Moslems and the Left to justify the continued presence of its 25,000 troops—and with them the surface-to-air missiles—for purposes of its own defence against Israel.

It is more likely that President Hafez al-Assad would begin to discuss a reduction in Syria's role in Lebanon, if there was some genuine progress towards re-establishing Lebanese national security, so that Syria was not so vulnerable to Israeli attack up to the Bekaa Valley.

Bani-Sadr 'to continue as President'

By Our Foreign Staff

MR BANI-SADR, the Iranian President, should apologise for his past behaviour but continue as President, Iran's revolutionary leader Ayatollah Khomeini said yesterday.

The implication of the Ayatollah's speech is that he does not want Mr Bani-Sadr to resign or to be forced out of office by Parliament.

Last week, the president was dismissed as Commander-in-Chief of the Armed Forces and has been repeatedly attacked by religious fundamentalists of the Islamic Republican Party who control the Parliament.

The Ayatollah said he wanted the President and his supporters "to go on radio and television and announce their repentance and say that they have been wrong in inviting people to revolt." He also denounced a proposed demonstration in Tehran in support of Mr Bani-Sadr.

Although the Ayatollah is prepared to see the President continue in his present post, there is little doubt in Tehran that all real authority will in future be held by the Parliament and Cabinet, both controlled by Mr Bani-Sadr's enemies.

Terry Povey in Tehran adds: The Central Bank's wholesale prices index, published on Monday, was up 30 per cent on the same time last year.

ELECTIONS IN INDIA

Landslide win for Rajiv Gandhi

BY K. K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, 37-year-old son of the Indian Prime Minister, has won a landslide by-election victory in the Amethi constituency formerly represented by his late younger brother, Sanjay, killed in an air crash almost a year ago.

Rajiv is now stepping into Sanjay's shoes.

The role is as big as Rajiv wants it to be. He could become the most powerful person in India after his mother, and he has already shown signs that that is what he does want. Rajiv has been feeling his way along the corridors of power since his brother died, surrounding himself with young intellectuals to advise him, and has taken an interest in forming such policies as opening India for oil exploration by multinationals.

Rajiv Gandhi

Rajiv is modest, soft-spoken and self-effacing, unlike the abrasive Sanjay who often behaved as though he was a law unto himself. Sanjay made and unmade chief ministers of the states ruled by Mrs Gandhi's Congress (I) Party, made leaders out of his henchmen, and ruthlessly destroyed those he considered his opponents.

It is because Sanjay was all-powerful both in the Congress Party and in forming government policy that a vacuum arose when he died. Its repercussions were felt immediately. Dissent grew inside the Congress and one or two chief ministers showed signs of revolt against Mrs Gandhi. In almost all states,

Rajiv Gandhi is now taking his place in Indian political life, filling the vacuum left by the death of his brother Sanjay. Thus, the dynastic line begun by Jawaharlal Nehru continues.

party factions sprang up and as Mrs. Gandhi drew into her shell—no one was there to act as firmly as Sanjay had done.

Policy-making became a slow process. The bureaucrats had got used to looking for signals from Sanjay and were unsure what Mrs Gandhi herself wanted. Mrs Gandhi recovered quickly from the death of her favourite son, but lacked a confidant and adviser in whom she had faith. Although she took decisions when forced to, it was clear she needed and wanted a trusted assistant.

It took Rajiv just under a year, after Mrs Gandhi let it be known that she wanted him to wear Sanjay's mantle, to decide on a political career. Until Sanjay's death, all Rajiv wanted was to do his job as a commercial pilot with the domestic Indian Airlines and spend his spare time with his Italian wife, Sonia, and their two children. Under pressure from Mrs Gandhi, however, he agreed initially to act as her unofficial assistant.

With time, Rajiv realised Mrs Gandhi did not want mere secretarial assistance. She needed someone who could take the burden off her shoulders in such matters as day-to-day party affairs and could help her with her official work. This is the full-time job, albeit extra-constitutional, which Sanjay created for himself. Rajiv has chosen to take this on and it now remains to be seen how successful he will be.

"The need of the hour is a man who is clean, who is capable and who is acceptable," said one Congress Chief Minister whose state is suffering from intra-party dissent and lack of direction from New Delhi. Rajiv is acknowledged as being "clean" in India's corrupt political life. Although his ability to lead the party is still to be demonstrated, he starts with the advantage that no one in the Congress dares to challenge his authority.

Rajiv has not let it be known what his ideology or policy preferences are, saying vaguely that he plans to follow the Congress manifesto. Yet he is different from Sanjay only in being gentler. Says a close friend: "They differ in style, not in ideas." If this is so, Rajiv is pragmatic, inclined to be partial to the private sector and a believer in hard work. Also, like Sanjay, Rajiv wants to keep his options open and chart out his future course on the basis of experience.

If he is like Sanjay, Rajiv must also believe he is a chosen leader of the country although he has said: "I'd rather start at the base and rise little by little." No one in India believes Mrs Gandhi is not grooming Rajiv as her successor, just as her father, the late Jawaharlal Nehru, let it be known plainly that he wanted Mrs Gandhi at the helm of affairs after him. The Opposition has criticised Mrs Gandhi for trying to impose dynastic rule on India and, now Rajiv is an active politician, his destiny seems clearly marked out.

Rajiv himself is modest about this. When asked whether he was being groomed as the next Prime Minister, he said: "How can my mother prepare me for the Prime Ministership? Supposing she does try. If it is not wanted by the people, it will get rejected." Yet he has a head start by being a member of the Nehru family. If Mrs Gandhi is Prime Minister long enough to enable Rajiv to gain experience and entrench himself in Indian politics, he is her natural successor. When Rajiv was yesterday elected member of parliament, he became Mrs Gandhi's heir-apparent.

Rajiv should have little trouble within his own party Mrs Gandhi's writ—and, therefore, his—runs over nearly all the country. He has the added advantage of being faced with a splintered opposition. After the failure of the Janata experiment, it became evident when Mrs Gandhi returned easily to power last year that the opposition parties are hopelessly divided and pose hardly any challenge to the Congress. The results of Sunday's parliamentary and state legislature by-elections are expected to demonstrate this.

UK NEWS

Recognised status for Carolina Bank

By Our Banking Correspondent

CAROLINA BANK, the UK subsidiary of North Carolina National Bank, has been elevated to the status of a recognised bank by the Bank of England.

Carolina Bank is one of the first banks to progress from being a licensed deposit taking institution to a fully-fledged recognised bank. Its progress underlines the flexibility of the Bank of England's interpretation of the 1979 Banking Act.

Two names have disappeared from the monthly list of recognised banks—Keyser Ullmann and Rainier National Bank. Keyser Ullmann has been taken over by Charterhouse Japhet and Rainier National Bank has sold its London operation to the First National Bank of Minneapolis. First Nation retains its status as a licensed deposit taking institution. At June 15, there were 284 recognised banks.

There are three additions to the list of licensed deposit taking institutions (LDTs)—Cyprus Credit Bank, Mynshul Finance, and Roxburgh Guarantee Corporation. There have been four deletions from the list: Commercial Bank of Malawi, Lewis's Bank, National Guardian Securities and Severe Finance Corporation. At June 15, there were 294 LDTs.

Chairman's pay rise

MR GEOGE TURNBULL, chairman of Talbot UK, apparently had a salary increase of more than 26 per cent last year.

The company's annual report shows that Mr Turnbull's pay in 1980 was £37,000. For the period April to December 1979 he was *paid £22,000, an annual rate of* more than £29,000. Talbot UK recently reported a record net loss of £67.35m for 1980, up from the £41.13m loss for 1979. A further substantial loss is expected for this year but the company hopes to break even in 1982.

Income increases

THE Church Commissioners income increased last year by an adjusted 15.8 per cent—compared with a rise of 15.1 per cent in the retail prices index—in spite of the recession.

Total income amounted to £79.3m. Altogether 57 per cent was spent on clergy pay, 18 per cent on pensions and 11 per cent on clergy housing.

The commissioners say it should not be assumed that 1981 will produce equally encouraging results. "On the contrary the outlook for the immediate future can only be viewed with caution."

School cuts urged

THE GOVERNMENT is encouraging local education authorities in England and *Wales to get rid of surplus* school places because of falling numbers. It has sent a circular asking them to review plans to rationalise school stock.

£42,000 for icon

A GREEK icon by the 17th century artist Theodor Poulakis sold for £42,000 at Sotheby's yesterday, an auction record for a Greek icon. It depicts the Tree of Jesse. The sale made £137,510 with 21 per cent bought in.

Bank's terms for Burmah Oil rescue were not unfair, says Tuke

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SIR ANTHONY TUKE, former chairman of Barclays Bank, agreed in the High Court yesterday that the Bank of England did not take unfair advantage of Burmah Oil when it rescued the company from financial crisis in January, 1975.

All that the Bank has done, said Sir Anthony, had been to put to Burmah the terms imposed by the Government for the rescue.

It had been a hard deal, but it had not been unfair, he said.

Sir Anthony, now chairman of Rio Tinto Zinc, had been called by Burmah as an expert witness in support of its claim to have the sale of its 20 per cent holding in BP to the Bank—part of the rescue package—set aside.

Burmah contends that the Bank took unfair advantage of the company's weakness to get the shares at a gross undervalue.

The Bank, which bought the shares for £179m, contends that the price was fair. The current market valuation of the holding is nearly £1.2bn.

Sir Anthony told Mr Justice Walton that he thought the deal would have been more reasonable if there had been an arrangement for Burmah to share in the profits of any resale of the shares. Such an arrangement had been suggested by the Bank but rejected by the Government.

But, he said, the absence of profit sharing did not make the terms unfair. They were the only available terms, and the Bank had no alternative but to put them to Burmah.

Nor had Burmah any alternative but to accept them — as it would have had to accept a price of 200p or 190p a share, or any other figure lower than the 230p the Bank in fact paid.

"They were in a corner and had to take what they could," said Sir Anthony.

He said that, at the time, there had been a *general feeling* that it was a fairly hard deal. There was, he agreed with Mr Donald Rattee, QC, for the Bank, a world of difference between a fairly hard deal and taking unfair advantage.

Sir Anthony added that those who had thought it a hard deal had not been in full possession of the facts.

The first witness to be called by the Bank of England was Mr Michael Valentine, senior partner in merchant bankers S. G. Warburg and Co.

He said that Burmah's BP holding would have been too large to attract a potential buyer as part of an investment portfolio. He was not aware of any inquiries having been made about the holding after the announcement that it was to be sold.

Mr Valentine said that profit sharing would not have been appropriate. There would have had to be a counterbalancing loss sharing arrangement which, given Burmah's situation, would not have been practicable: it would only have increased the Bank's commitments to Burmah.

Mr Richard Marriott, a partner in stockbrokers Mullens and Co, said that in January, 1975, there had been no sign of a general economic recovery or that the stock market in general, and BP, shares in particular, would soon go up.

The hearing continues today.

Councils to resubmit original budget plans

By Robin Pauley

MOST OF England's metropolitan authorities plan to respond to the Government's call for revised budgets by submitting forms containing the original figures.

The Association of Metropolitan Authorities agreed yesterday to complete the forms, although leaders of some authorities wanted to refuse.

Mr Jack Smart, the authority's leader, said later: "Most authorities will resubmit the budgets prepared at the beginning of this year and some may say that they will anyway be reviewing their expenditure during the year but the March 31 deadline is too soon."

He added: "I am not going to mislead anyone by saying there is a possibility of achieving the targets. They are unreasonable and far too low."

All councils have been set a target to reduce the volume of their current expenditure in 1981-82 to a level 5.6 per cent below their actual expenditure in 1978-79. This target has been missed by £800m in the budgets in volume terms and translates into a cash overspend of £1.25bn.

Revised budgets have been called for to try to reduce this amount; if this fails, £450m in grants will be withheld as a penalty.

Mr Smart said some authorities, mainly expected to be councils won by Labour in the May elections, may send in revised budget forms with higher expenditure plans.

Four of the metropolitan counties won by Labour in May face substantial penalties if they do not cut even the former Conservative administration's plans.

"This means that even if only Tory policy is implemented in those areas a supplementary rate will be needed."

The AMA has won one victory against the Government, which has withdrawn its implied threat of withholding all grants from councils which do not send a revised budget back. A circular to be sent to all councils has been revised.

The offending paragraph said: "The department cannot undertake to pay any particular level of grant to authorities which do not complete the form." It now reads: "If forms are not returned in time by any authority the department will have no alternative but to make estimates—on the basis of the original grant claim and RER [budget] returns and other information."

Another paragraph, threatening a special audit of councils which had included an inflation provision which the department considered excessive, has been withdrawn.

Racing link renewed

TEAM LOTUS, in an unprecedented mid-season switch, has signed a sponsorship deal worth several million pounds with the John Player cigarette company. It re-establishes the 10-year grand prix motor racing link between the two companies which was wound up in 1978.

The new Lotus type 87 John Player Specials will make their debut at the Spanish grand prix this weekend.

Retail spending declines but demand still strong

BY DAVID CHURCHILL AND PETER RIDDELL

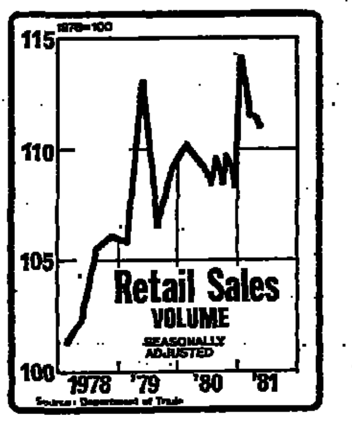
SPENDING IN the shops last month continued to slip back slightly from the exceptionally buoyant levels at the beginning of the year. But demand remains relatively strong with the volume of sales well up on a year ago.

Department of Trade figures published yesterday show that the index of the volume of retail sales last month was 111 (1976=100, seasonally adjusted). This was fractionally lower than the level in the previous two months, and nearly 2½ per cent less than in January and February.

Nevertheless, trade in the last few months has remained remarkably firm, both compared with a year ago and in view of the lower level of wage rises and the sharp increase in indirect taxes in the March Budget.

Overall, the value of retail sales in May was 11 per cent higher than a year earlier. This compares with a 2.4 per cent volume gain over the same period, and highlights the low level of price rises for many items sold in the shops.

Over the first five months of this year, the average value of sales was 10 per cent higher than in the same period of 1980. Between January and May, the volume of trade was about 2½ per cent higher than the average for 1980.



Comments by leading retailers yesterday suggest a mixed picture. The recession and the poor summer weather have left trade relatively flat.

But an early start to summer sales promotions by some retailers has helped trade.

Although the major bargain sales are not due to start for a few weeks in most stores, those retailers which have already launched special sales have found that consumers are still able to afford bargains.

The 69-store Debenhams group reported that, in the first week of its "Half-price Bonanza" promotion which started three weeks ago, its turnover was almost double the level in the same week of last year. In the second week of the promotion, its sales were 50 per cent up in value on the same week last year.

The Rumbelows electrical goods chain, which has also been promoting heavily in recent weeks, said trade was some 40 per cent higher in value last week compared with the same week last year.

Mr Thomas Cole, Rumbelow's marketing director, said that "the business is there if retailers want to push for it." He believed that consumers "will still recognise genuine bargains."

Rumbelows reported that sales of washing machines have picked up in recent weeks and that video equipment sales have continued at a very high level.

Nationalised Channel ferry fares 'too low'

By Andrew Fisher, Shipping Correspondent

PRICE LEVELS on cross-Channel ferries were described as "dangerously low" yesterday by Mr Keith Wickenden, chairman of European Ferries, at its annual meeting in London.

"Unless something happens with 18 months, a significant number of smaller operators will get out of business," he said. "The position is very dangerous at the moment and I'm very unhappy about it."

The company's shipping profits fell sharply last year, in contrast to a considerable rise on the property and banking side. Total pre-tax profits were 12 per cent up at £30.4m.

Mr Wickenden was speaking on the day that Sally Line, the UK arm of Rederi A/B Sally of Finland, started its low-price service between Ramsgate and Dunkirk.

Sally is believed to be interested in taking a stake of about 25 per cent in Sealink (UK), the British Rail subsidiary which European Ferries hopes to acquire, subject to Monopolies and Mergers Commission approval in a few months.

While not saying whether Sally planned talks with Sealink Mr Michael Kingshot, managing director of Sally Line, said in Dunkirk yesterday: "We would be interested in any discussions."

The commission is expected soon to approve another cross-Channel merger, between Hoverlloyd, owned by Broström of Sweden, and British Rail's Seaspeed hovercraft company.

Mr Wickenden largely blames Sealink and Seaspeed for the extent of what he calls the tourist "price war" across the Channel.

"Our problem is that we're *slugging it out with* nationalised companies," he said at yesterday's meeting.

If European Ferries was allowed to buy the money-losing Sealink (UK), he said, it would stop the "rather foolish" practice of ships sailing within a few minutes of each other less than 20 per cent full.

Even a solution involving Sally Line would be better than Sealink (UK) remaining fully nationalised, he said.

Fuel oil prices gap with Europe widens

THE GAP between UK and Continental fuel oil prices is widening substantially again. Figures from the European Economic Community suggest that many manufacturers pay up to £11 a tonne more for fuel oil than do those on the Continent.

The pump price of diesel fuel is well above that in Europe.

There are signs that manufacturers are returning to the attack on energy prices and pressing the Government to act, particularly on the £8-a-tonne duty on heavy fuel oil, markedly higher than in most other European countries.

The companies expressing greatest anxiety are in heavy energy-using industries such as paper, board, chemicals and steel.

Imperial Chemical Industries, which is Britain's biggest manufacturing company, expressed "concern" last night at the increasing disparity.

ICI, which uses about 1.5m tonnes a year to power its plants, estimates its costs would be cut by about £8m a year if the Government abolished the £8-a-tonne duty on fuel oil.

The British Paper and Board Industry Federation said a typical heavy fuel oil price in the UK today was about £120 a tonne, against £100 in West Germany and £90 in the U.S.

"The longer this kind of price differential lasts, the more companies will be put out of business," the federation said. "Energy prices are a major factor in our competitiveness against Continental and U.S. companies.

"The Government talks about having a free market for energy prices, but at the same time it is itself a major source of interference, notably with its insistence on keeping the present heavy fuel oil duty.

"Our heavy fuel oil duty is £8 a tonne, while we reckon that the average on the Continent is only £1.60 a tonne.

"The Government has said it can do nothing about the £8 a tonne duty because of British Gas contracts in the North Sea with the Norwegians. But we feel that the removal of the duty should be given higher priority than the Norwegian contracts."

EEC figures show that at the end of May the average UK fuel oil price, before tax and duty, was $219.34 a tonne against an average EEC price of $209.86.

Most major oil companies have raised prices of heavy fuel oil this month in a desperate effort to stem mounting losses on their UK refining operations. The average increase has been about £7 a tonne.

Nissan plan pressure increases

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN's motor industry will this week intensify its campaign to convince the Government that Nissan of Japan should not be encouraged to set up a car plant in Britain without first giving assurances that a very high level of local components will be used.

A delegation from the Society of Motor Manufacturers and Traders will meet Industry Minister Mr Norman Tebbit and his officials on Thursday.

A paper submitted earlier by the society suggested that there *was no reason why Nissan* should have to buy any single component from outside Europe.

And it suggested that the Japanese group should be asked to incorporate at least 80 per cent of European components in any Datsun cars assembled in the UK.

Ford of Britain has claimed in papers to Members of Parliament that the Nissan assembly plant, if it goes ahead, will at best just break even as far as jobs are concerned.

With no restrictions on the import of components from Japan, the project could cost up to 50,000 UK jobs, Ford maintains.

The more aggressive component makers would prefer the Government to insist on Nissan using at least 85 per cent of European components.

The British Automotive Parts Promotion Council, which claims to represent the 14 largest UK component companies, made this point yesterday. It suggested that the per*centage should be measured by* the value of total materials and parts.

Bapco said that some of the methods of evaluating local component content are very misleading. For example, "it is unacceptable to use a percentage of ex-works cost or ex-works price as these figures include assembly, labour costs and overheads as part of local content."

This was obviously a side-swipe at BL which has been claiming that 70 per cent of the ex-works value of the Triumph Acclaim, being produced jointly with Honda of Japan and due for launch later this year, will be British.

And Bapco, by implication, criticised companies like Talbot UK and Vauxhall which assemble the majority of their cars in Britain from imported kits. "Any vehicle manufacturer producing vehicles in Britain should use a high level of local content."

It accused the Government of a "*lack of understanding*" of the component industry's problems and pointed out that about 80,000 jobs have been lost in the industry in a little over 12 months.

"It must be remembered that for every workers engaged in the assembly of vehicles another four are engaged in component manufacture." So it was vitally important for the 400,000 remaining in the industry that Britain retained a strong component-making capability

Rise likely in specialised organic chemicals sales

BY SUE CAMERON

BRITISH SALES of specialised organic chemicals—including pharmaceuticals, agrochemicals, dyes and pigments—could grow by as much as 10 per cent a year between now and 1985, according to an official report published today.

The report was drawn up by the specialised organics sector working party under the aegis of the National Economic Development Office. *It* warns that, in the short-term, companies are vulnerable to difficulties such as exchange rate movements high energy costs and UK interest rates.

It adds that the industry is "still susceptible to foreign competition which does not have to cope with the costs of the UK domestic situation."

The report shows that the performance, especially in exports, of British specialised organics companies has improved dramatically over the past few years. Britain's growth rate in specialised organics exports has been "some 10 to 15 per cent faster" than the West German increase.

The UK's share of total EEC exports in the sector has risen from about 15 per cent in the mid-1970s to about 17 per cent in 1979. The report says the real rate of increase in UK exports of specialised organics —ignoring inflation—may have been as high as 15-20 per cent a year over the past few years.

The ratio between UK exports and imports of specialised organics improved dramatically last year—but this was largely the result of a sharp fall in imports caused by the recession.

Yesterday members of the sector working party said the industry hoped to set up a joint venture with the Government research centre at Harwell.

OBITUARY

Former Westminster Press chairman

THE FUNERAL took place in Scotland yesterday of the Hon Mrs Angela Campbell-Preston, 70, former chairman of Westminster Press, who died last week.

Mrs Campbell-Preston, a daughter of the second Viscount Cowdray, became a director of the Westminster Press provincial newspaper group in 1945, and served as chairman from 1953 until 1974. She led the company during a period of substantial growth.

As chairman she gained a reputation for the belief that newspapers within the group should retain their own distinctive characteristics and reflect their local communities.

She is remembered by Westminster Press staff for giving tireless leadership, and managing to maintain contact with individual newspapers in spite of the increasing size of the group.

Mrs Campbell-Preston also served as a member or chairman of several hospital management committees.

Her first husband, Lt-Col George Murray, was killed in action in 1945. Mrs Campbell-Preston had one surviving son, now the Duke of Atholl, from her first *marriage*, and a daughter from her subsequent marriage to Lt-Col Robert Campbell-Preston.

Lloyds must face Johnson & Firth Brown action

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LLOYDS BANK failed to secure removal of itself and one of its branch managers as defendants in a pending conspiracy action by four companies in the Johnson and Firth Brown group.

In the High Court yesterday Mr Justice Foster rejected pleas by the bank and Mr Sidney Shore, a Birmingham branch manager, that the companies' *written* claim disclosed no reasonable cause of action against them.

Midland Rollmakers, Johnson and Firth Brown, Firth Brown, and Gibson Engineering are claiming damages from 23 companies and individuals.

The action concerns an alleged conspiracy by former directors and employees of J and FB to set up a competing business, using J and FB's confidential information, while still in the companies' employ.

In particular J and FB complains that a contract worth more than £1m, for which one of the alleged conspirators had been supposed to be negotiating on J and FB's behalf, had gone to a company set up by the conspirators.

That company, H. W. Technology, had been incorporated in the maiden names of the wives of three J and FB employees.

J and FB contended that Lloyds had provided banking facilities for H. W. Technology knowing it to be involved in a fraud and that the money it received came from the sale of J and FB's expertise and confidential information.

Lloyds denied the allegation, contending it had merely provided normal banking facilities. The judge said J and FB made five allegations against Lloyds.

He said he was unable to conclude that those were unarguable causes of action against Lloyds and Mr Shore.

Lloyds and Mr Shore were ordered to pay J and FB's costs and were refused leave to appeal.

London taxi drivers face up to major changes in their traditional image

Maurice Samuelson looks at the impact of fare increases and the way a growth in cab leasing is boosting sales

A WIND of change is blowing through the ranks of London's 12,700 taxis. It could affect the vehicles themselves, their drivers and the trade's relationship with the travelling ublic.

Some of the changes have already begun. Others remain at the talking stage. But their extent gives the lie to the taxi's image as one of London's most timeless and recognisable institutions.

The change which affects taxis and passengers most directly is the 13 per cent fare increase which the Home Office authorised last week. The drivers had applied for 27 per cent. But although they were far from united in accepting 13 per cent, they have not refused it.

London will thus be spared the inconvenience of another mass protest, like that two years ago, which jammed Fleet Street and Whitehall with hundreds of empty crawling taxis.

The fleet owners and the Licensed Taxi Drivers Association were angry and dismayed last week at what they regard as the inadequacy of the increase, which takes effect on July 12. They say that after deducting increased running costs it boosts their income by barely 7 per cent, the level which the Government thinks appropriate for the Civil Service.

They are also disappointed at making no progress with the Home Office on their request for revision of the VAT law, which would have enabled them to pass on to passengers the full costs of VAT in running a taxi.

Among individual drivers, there have been signs of relief that the increase has been kept down to 13 per cent. They feel that anything more would have been counter-productive. With far fewer foreign tourists in the West End than for several years, too big a fare rise would have meant even fewer passengers.

A less noticeable but more durable change has been in how individual drivers acquire their cabs. This has traditionally been by hire purchase. But the growing difficulty of finding the deposit of £1,750 for an £8,000 cab has opened the way for leasing with an initial down payment of £650.

Hertz Car Leasing, which started the ball rolling last autumn, believes that 500 new vehicles have been leased since then with its own share "well into three figures."

A similar scheme has also been started by Mann and Overton, which has the sole right to supply new taxis in the Metropolitan area and from whom Hertz and other dealers and individuals have to buy.

The company, which has been in the trade for more than 50 years, calculates that between 10 and 15 per cent of new taxis are being leased to owner drivers. It already has a leasing scheme for fleet owners. By encouraging sales, leasing is benefiting not just the drivers but Carbodies, the Coventry company which builds London taxis around engines and parts supplied by BL.

The company is on a four-day week and has cut its workforce by 10 per cent to 385 over the past *nine months. Without the* additional sales created by leasing, its position could have been worse.

The recession is also delaying Carbodies' launch of a new model, code-named CR6, intended to replace the present London taxi, the FX4, which has been on the streets since 1959.

Mr Grant Lockhart, Carbodies' managing director, says the CR6 "will definitely be built." But he sounds less confident over his prediction that it will appear by the end of 1983. It will be based on the Range Rover and Carbodies hopes it will also sell well overseas.

The last big change on the taxi drivers' agenda is an alteration in the law, allowing "taxi stops" and cab sharing as a way of making taxi transport more efficient. This will mean reform of the 150-year-old Hackney Carriage regulations, under which taxi drivers are allowed to collect one fare but not to pick up other passengers.

However, as with the launching of the CR6, the change is not happening as quickly as some would like. Although the Licensed Taxi Drivers' Association is eager for the introduction of what it calls service taxis, the Transport and General Workers Union, to which some taxi drivers belong, opposes it at a time when taxis are competing for fares in a recession.

In March, the Home Office said a consultative document on the proposed changes was in "a fairly advanced stage and not far off completion." But this prediction has fallen flat and there is now no sign that the document will soon appear.

As with the new model taxi, the wind of change will have to blow a lot harder, before it ends the traditional privacy and intimacy of the London cab.

Haymarket jammed with taxis during a previous dispute

Think Tank urges drive to phase out pay packets

BY GARETH GRIFFITHS

THE SHIFT towards monthly bank credit salary payments and away from weekly cash should be encouraged and speeded up, the Central Policy Review Staff, the Government's Think Tank, said in a report published yesterday.

It says that significant staff and cash savings could be made in central and local government if all public-sector employees were paid by monthly credit transfers. For example, the Think Tank estimates that there would be a saving of nearly £8m a year if all non-industrial civil servants were paid by monthly bank transfers.

The report says Britain has lagged behind other industrial countries in the way it pays employees. It argues that it would be for the general benefit if the trend could be accelerated and if employers, trade unions and the clearing banks could re-examine their attitudes.

Nearly four-fifths of manual workers and more than a third of non-manual workers are paid weekly in cash, compared with only 1 per cent of workers in the U.S. and 5 per cent of Canadian and West German workers.

The CPRS highlights five advantages of credit transfer payments. Employers benefit doubly, with administrative savings and the security gains of reducing payment in cash. Employees likewise have a double benefit: there is less risk of cash being stolen or lost and bank payments are a way of reducing status differences between blue and white-collar workers.

The banks, meanwhile, acquire more customers and a new market for their various types of services. The report also suggests that reducing cash payments could stop the rise in the number of robberies with violence.

The Think Tank accepts that the inconvenience of banking hours can cause problems for customers and that there are deep-seated attitudes among certain sections of the work-force in favour of cash in hand.

But still it comes down strongly in favour of a switch to cashless payments. It says the Government has a three-fold role to play in the process, in its role as employer, channeller of funds to pensioners and those who receive supplementary benefits and as a legislator.

The report suggests that local authorities could cut the cost of paying their 2.6m employees from more than £25m a year to £2m or £3m a year if employees were paid monthly by bank credit or cheque. There is similar scope in the National Health Service and other parts of the public sector.

Payments by credit transfer for pensioners and other State beneficiaries will be introduced in the middle of next year and all mothers will have a choice of payment of child benefit by credit transfer at the end of 1983. This will be done on a voluntary basis and the CPRS says the gain in efficiency and savings in public spending will be considerable.

By law, manual workers must be paid in cash unless they make a written request to be paid by credit transfer or money order.

The report says the legislation in its present form is undoubtedly one of the obstacles to a faster change-over and urges reform of the relevant Acts.

But the CPRS says the main initiative for change lies with the employers, trade unions and the clearing banks and not with the Government. It calls for a public discussion on the subject and has asked for comments by December 15.

The report's broad findings were endorsed yesterday by Mr. John Cox, the chairman of the banks' working group on the payment of wages and the senior general manager of Midland Bank.

He said a campaign launched in January has led to about 1,000 inquiries from companies and public corporations about switching over to credit transfer payments. But he said banks would oppose moves for the change-over to be compulsorily speeded up.

Cashless Pay. Alternatives to cash payment of wages. Published by HMSO. Price £2.10. ISBNO 116308206.

Restoring a first class postal service

Ron Dearing's chairmanship has seen deliveries improve, says **Jason Crisp**

JUST OVER a year ago when Mr Ron Dearing, a top civil servant at the Department of Industry, became chairman of the postal side of the Post Office it looked a dubious career decision.

Several leading industrialists had said they would not be interested in the job, not only because the money was bad, at the time £36,000 a year. The new chairman was to inherit a basketful of problems; current and future.

The Monopolies Commission had just lambasted the quality of the mail service in London. The Government was preparing to loosen its comfortable monopoly and split it away from the profitable telecommunications side. It was far from certain whether the unions would accept a productivity scheme which had begun in parts of London.

Past sharp price rises, very poor service, the recession and the advent of technologies such as electronic mail combined to make it look as if the postal business was set to dive into an irreversible downward spiral. As the volume of mail fell, the very high fixed costs of maintaining a labour-intensive national network, would force price rises and make the service even less attractive.

After his first year in office Mr Dearing's position looks a little more comfortable. The quality of service, which Mr Dearing says was the critical issue when he joined, has improved markedly. At the end of the Post Office financial year, March 31, the last monthly figure showed that 88.5 per cent of First Class post was delivered the following working day. For the whole year the figure is 86.3 per cent, the highest since 1977/78.

The target performance is 90 per cent—the remaining 10 per cent is thought by the Post Office to be economically unattainable and caused, it says, by late postings for long distances, breakdowns, rail delays and wrongly addressed mail.

An expected fall in the volume of mail of 2.5 per cent was limited to 0.7 per cent in the year ending March, 1981. As a rule of thumb a change in volume of 1 per cent affects profits by about £10m.

Mr Dearing says that although posts made a profit in the year ending March 1981 it will not meet the Government target of 2 per cent of turnover. In the previous financial year it had sales of £1.7bn. The figure is expected to be close to £2bn for this year.

The productivity agreement is being introduced in the regions and overtime is being cut. Bonuses are in the range of £5 to £12.

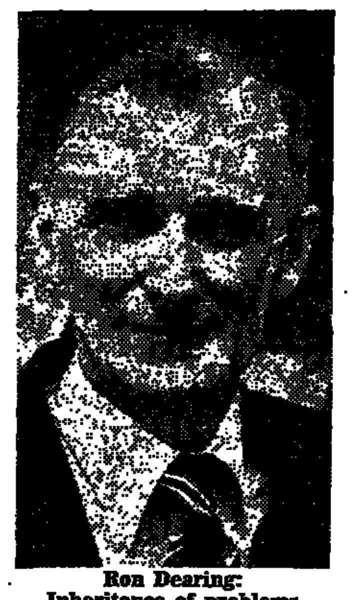
Mr. Dearing says the volume held up well in spite of the recession because of "the improvement in service, the commitment to hold postal prices until January 1982 which encourages direct mail advertisers, vigorous marketing, and product innovation."

The new products include extending premium services such as Datapost, the guaranteed highspeed parcel post, to post office counters. Previously this operated on a contract basis only. In the past 12 months the Post Office has also launched and greatly expanded Intelpost, the public electronic mail service. Intelpost, which currently connects 20 cities in the UK and has links to Canada, the U.S. and the Netherlands will be extended to a further 20 British centres, to Argentina and a country in the Far East.

While conventional social letters are in decline—letters sent person to person form about 10 per cent of the total—direct mail advertising is growing. This also accounts for about 10 per cent of the total volume but it has grown by 60 per cent in the last four years and Mr Dearing expects further growth.

Bills and statements account for 40 per cent of the mail although only 30 per cent of bills are paid through the post. The remainder is general business mail with 30 per cent. Greetings cards account for another 5 per cent.

About 5 per cent of the Post Office's counter business both in main post offices and sub-post offices will be lost because of changes in the payment of social security and other benefits proposed by Sir Derek Rayner, Mrs Thatcher's personal adviser on the elimination of inefficiency and waste in Whitehall.



Ron Dearing: Inheritance of problems

To compensate the Post Office will be able to extend its agency business to the nationalised industries. It will probably be possible to buy rail and bus passes at post offices as well as savings stamps for gas and electricity.

And later this month Giro is to begin a campaign in Shropshire promoting itself as the country bank and presenting the rural sub post office as the "bank in the village." A number of rural post offices are not profitable and it is feared that some may close.

Computer mail trials set to start

THE POST OFFICE is soon to begin trials of computer originated mail which could eventually revolutionise the way in which companies send direct mail shots and bills.

The future system would work roughly like this: A company wanting to send a mail shot of individually written and addressed letters prepares the information on a computer tape or disc. It gives the tape or disc to the Post Office which electronically transmits all the data to a central computer.

The central computer would sort the addresses and retransmit the information to 84 regional centres where the letters would be printed and put into envelopes in the right order so that they do not need local sorting.

Theoretically individual billing, such as for electricity and gas, can be done in exactly the same way, although there would be problems of confidentiality.

It is a plan fraught with technical problems. The high speed, high quality colour printing that would be needed is not technically available at present.

It also may be difficult to persuade the unions to accept it.

The Post Office is talking to several large mail users about setting up a pilot scheme later this year.

English holiday season threatened by recession

BY JAMES McDONALD

MORE PEOPLE in Britain are undecided this year about taking a main holiday because of unemployment and the recession, but it is holidays in England rather than abroad that will be affected, says a survey by the English Tourist Board.

The strong trend for holidays abroad is likely to continue, says the board's holiday intentions survey, and the volume of main holidays in Britain generally—and England in particular—will probably fall.

The survey was made this spring, and 62 per cent of those questioned said they intended to take a holiday this year, compared with 66 per cent a year ago.

A fairly stable 29 per cent, the same as last year, said they would not take a holiday this year. But 9 per cent were undecided, compared with 6 per cent in last year's survey.

In the higher earnings groups, 41 per cent planned a foreign holiday compared with 32 per cent with a British holiday scheduled. Other earnings' groups are more likely to holiday in the UK.

The survey warns that the British home holiday market will probably fall again in value this year until there is a sudden upturn in prosperity for the average wage earner.

The more costly sectors of the British tourist industry, such as hotels, will again experience intensely competitive conditions as many better-off holidaymakers withdraw from the home market, says the survey.

"For hotels and suppliers throughout the industry, the need is to satisfy new tastes for additional holidays and short-break holidays, and the tastes of customers from overseas will become even more crucial."

EEC boost for tourism in Irish border country

A BOOST for tourism in Ulster's border country was announced yesterday by the EEC Commission in Brussels.

The EEC has decided to back a programme of economic and social recovery on both sides of the border. It is a move to attract visitors to unlikely holiday spots such as Newry in the North and Dundalk just south of the border—areas more usually associated with armoured trucks and terrorist ambushes.

A total of £15m—£4.3m for the British Government and £10.7m for the Irish Republic—has been allocated by the Commission as the first stage of a special programme of regional fund spending.

More money for the project—a total of about £41m is being spent by the two governments—is expected from Brussels later.

The Commission says the Border is one of the most disadvantaged EEC regions, with a low population, high unemployment, emigration, and a big dependence on agriculture.

"The magnitude of the problems requires a special effort involving complementary and concentrated action on both sides of the border, and their solution will depend to a large degree on concerted action by both governments and the European Community," the Commission said.

The aid will be aimed at developing tourist accommodation, camping and caravan sites, setting up tourist promotion bodies and providing cultural and recreational facilities including fishing, riding and water sports.

The money will also help provide craft industries and improve transport links and telecommunications.

The money is being spent in five southern counties adjoining the border: Donegal, Leitrim, Cavan, Monaghan and Louth; and in Londonderry, Strabane, Omagh, Fermanagh, Dungannon, Armagh and Newry, and Mourne in the North.

The Northern Ireland Tourist Board and the Irish Tourist Board are studying the tourist and development needs of the Newry-Dundalk area and earlier cross-border studies have been partly financed from Brussels.

The project's first phase is expected to be completed by 1985.

Humber Bridge finished

THE FIRST motorist will drive over the Humber Bridge next week, nearly nine years after building first began.

Councillor Alex Clarke, chairman of the bridge board, will take the trip on Wednesday, June 24 to mark the opening to public use of the longest single-span suspension bridge in the world, and the most expensive.

Work on the bridge began in July 1972 when the cost was estimated at £27m. Now, three years late on completion, it has cost £91m.

Cyclists and pedestrians will have to wait for probably another four weeks until special tracks for them are ready. Until then they are banned from crossing the 2,200-metre long bridge which links Hull and Grimsby.

The bridge saves a 50-mile journey along the banks of the Humber which can take 1½ hours.

The Humber ferry service closes down in the late afternoon of the day the bridge opens. A bus service across the bridge will have a rail link at Barton on the south bank.

The Queen will officially open the bridge on July 17.

Brewers champion sport in forces

BY ELAINE WILLIAMS

TRUMAN and Watney Mann, Grand Metropolitan's brewing subsidiaries, are to spend £30,000 over the next three years sponsoring sport in Britain's armed services.

The companies will find four main events—the inter-services championship in soccer, boxing, athletics and cricket.

The armed services are large customers of Watney Mann and Truman which already have links with services sport. The companies have been involved with the inter-services NAAFI Jubilee cup for 10 years.

Sponsorship of sports, especially by drinks companies and cigarette manufacturers, has been growing rapidly, with an estimated £75m a year being provided by sponsors.

Government acts to outlaw imitation weapons

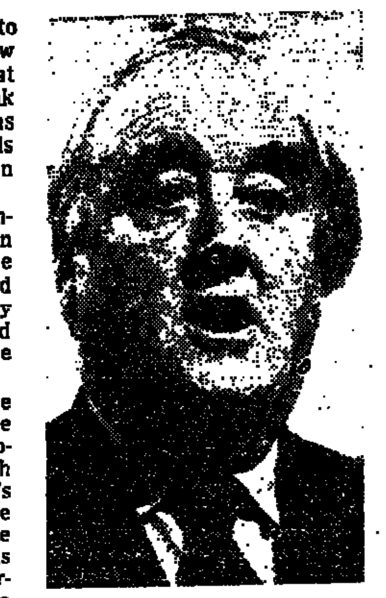
BY IVOR OWEN

THE GOVERNMENT is to introduce legislation to outlaw imitation revolvers such as that used to fire six shots of blank ammunition as the Queen was making her way to Horseguards for Trooping the Colour on Saturday.

Admiration for the composure shown by the Queen and for her insistence that the incident must not be allowed to prevent her moving freely among her people was expressed from all quarters of the Commons yesterday.

Mr William Whitelaw, Home Secretary, who announced the Government's decision to introduce legislation, joined with Mr Roy Hattersley, Labour's chief spokesman on home affairs, in acknowledging the danger to which the Queen is exposed on her public appearances and insisting that the risks involved must be kept to an absolute minimum.

The Home Secretary made a cautious response to a suggestion by Mr Edward Gardner (C., South Fylde) that the police should institute random spot checks among crowds on the route of royal processions as a means of reducing the "chilling risk" accepted by the Queen with such great personal courage.



Whitelaw: Earlier attempts to draft such legislation "had foundered"

Mr Whitelaw warned MPs not to stray into the field of operational responsibility which was the duty of the chief officers of the police whom, he believed, discharged their role with "great expertise and skill."

He made it clear that the legislation, which is expected to feature in the Queen's speech opening the next parliamentary session in the autumn, will seek to implement the principle strenuously advocated for some time by Mr Eldon Griffiths (C., Bury St. Edmunds), who is parliamentary adviser to the Police Federation.

Accordingly parliamentary draftsmen are being asked to frame a Bill making it an offence to import, possess, manufacture or sell any device which purports to resemble a weapon "unless it is seen to be conspicuously dissimilar to that weapon."

Mr Whitelaw emphasised that earlier attempts to draft such legislation had foundered over the difficulty of ensuring that the restrictions drew a practical distinction — without creating legal loopholes — between a realistic imitation of a lethal weapon and "millions of harmless children's toys."

The Home Secretary assured MPs tht Saturday's incident was being carefully studied and that full account would be taken of it in dealing with future arrangements.

Hattersley: Risks to the Queen must be "kept to absolute minimum"

To cheers from obth sides of the House he stressed: "It is Her Majesty's wish that both on state and less formal occasions she should be able to move freely among her people.

"Consistent with this everything will be done to keep the risks to a minimum."

Mr David Steel, the Liberal leader, commented that whatever view was expressed by her advisers, it must be for the Queen to decide on the scale of protection that she should be afforded.

Mr Whitelaw replied: "The Queen believes that it is her duty to move freely among her people. She would expect to do that nd I bealieve it would be the wish of the House that she should be strongly supported in that belief and in that action."

In a reference to his earlier decision not to introduce legislation on the lines advocated by Mr Griffiths, the Home Secretary said he accepted full responsibility for that previous view and resented suggestions that it was right to allocate blame to Home Office officials.

Mr Griffiths announced later that he hoped to introduce a Private Members' Bill dealing with imitation revolvers before the end of the current session.

Edwards attacked over jobs

By Ivor Owen

UNEMPLOYMENT is likely to go on rising in Wales "for a period," Mr Nicholas Edwards, Welsh Secretary, said in the Commons yesterday.

He was bitterly attacked by Welsh Labour MPs for having told the Welsh Conservative Conference at the weekend that Wales had come through the current recession "remarkably well."

With support from the Tory backbenches, Mr Edwards accused Labour MPs of concentrating too much on gloom and failing to highlight the fact that Wales was well placed to exploit the opportunities which would occur when the economic upturn took place.

Warned

Questioned about the prospect of the Nissan company of Japan choosing a Welsh site for the Datsun car plant, which it wants to build in Britain, he said a statement of general investment intentions was expected before the end of July.

But he warned that this would not necessarily cover the company's choice of site.

Mr Edwards announced that the Metal Improvement Company had decided to set up a 45,000 sq ft factory at Deeside Industrial Park.

The company would specialise in making wing skin panels for the A310 Airbus, and would employ a workforce of 60.

Disclosed

It will be the first specialist panel forming factory of its type in Europe and the process used, together with an allied process, also improves the fatigue life of aircraft components.

Mr Edwards also disclosed that a new company, eventually expected to employ about 60 people, had been set up in Bridgend.

Alpha Electrostatic Flocking had moved into a Welsh Development Agency 25,000 sq ft factory at Kenfig Industrial Estate and would use a new process to flock aluminium and textile strips for venetian and louvre blind manufacture.

The company expected to be in full production by August.

State industries ask for 5% on cash limits

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

NATIONALISED industries have asked the Treasury for increases totalling less than 5 per cent on external financial limits (EFLs) already provisionally set for 1982-83.

This was announced yesterday by a senior Treasury official in an attempt to refute claims made by the industries that the Government is seriously restricting their investment plans.

Giving evidence to the Treasury and Civil Service select committee, which is conducting a rapid inquiry in nationalised industry financing, Mr Bill Ryrie, a second permanent secretary, said he was "a little baffled" by the industries' claims.

He had not seen evidence that many capital investment projects had been held up. He was not aware of a large unsatisfied demand for projects which met the Treasury's criteria. On major commercial projects the Treasury usually set a target of a 5 per cent real rate of return.

Publicity had concentrated on the requirements of British Telecom, which Mr Ryrie believed had now been satisfied, and on the electrification programme of British Rail, which was a longer term issue.

"The opening bids we have received for the industries EFLs for 1982-83 are a little less than 5 per cent above the existing plans published for that year in the last Public Expenditure White Paper," he declared.

This increase cannot be accurately computed without more statistics, which Mr Ryrie did not supply. The 1981-82 forecast capital requirement figure for fixed assets in the UK, published last year, was £6.6bn.

MPs on the Treasury committee did not accept Mr Ryrie's suggestions that the lack of investment was a relatively small problem.

They suggest that the proposed increase was small because it applied only to a single year. Investment plans for that year had already been held back because of Government policies.

Mr Ryrie stressed that the Treasury was anxious to find ways of curbing the impact of the industries' "monopoly borrowing power." The existance of Government guarantees reduced any element of commercial risk for the lender.

"This whole issue turns on the issue of risk," said Mr Ryrie because unrestricted state industry borrowing would have a serious impact on interest rates and inflation.

He did not suggest that one tranche of funds for a nationalised industry project necessarily "crowded out" a similar tranche for a private sector project.

Mr Ryrie also indicated that the Treasury is highly sceptical about whether the industries could in practice raise much extra investment finance if they had further access to private sector investment funds. The Treasury "had an open mind" but did not believe there was great scope.

Labour MPs express scepticism on 'bottom of recession' claim

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THERE ARE SIGNS that the bottom of the recession has been reached and that there is the prospect of an improving economic situation, Mr John MacGregor, Under Secretary for Industry, told the Commons yesterday.

His remarks came as ministers were preparing for tomorrow's special Cabinet meeting to discuss the state of the economy.

But Mr MacGregor, who has special responsibility for small business, cautiously added that we live in volatile times, when economic developments in one country quickly have an effect on others.

Replying to an Opposition debate on industrial problems in the North West, he emphasised that it was essential that businessmen and workers should take advantage of the opportunities which an economic upturn will bring.

For its part, he said, the Government was setting the conditions for that to happen.

His remarks drew a sceptical response from Labour MPs. Opening the debate from the Labour front bench, Mr James Dunn (Kirkdale) accused the Government of "monetary strangulation" of industry.

Warrington, where a by-election contested by Mr Roy Jenkins for the Social Democrats, is due to take place, falls within the North West region.

Mr Dunn warned that voters would exact retribution on the Government unless it changed course on the economy.

"Further cutbacks in financial resources cannot and will not be tolerated," he declared.

Mr MacGregor, however, although emphasising the assistance which the Government has given to the region, stressed that the main impetus for recovery must come from industry itself.

He also delivered a strong attack on local authorities, mainly recently-elected Labour-controlled councils, who intend to make supplementary rate demands.

These authorities, he said, were claiming that they had a mandate from the electorate to spend more.

"But they did not get that mandate from the business community," he said.

"They should look to the danger they will be causing. I hope they will try to contain expenditure in the interests of industry and commerce."

Mr MacGregor said it was vital that the Government recognise the need to limit public expenditure. This was in the interest of industry and commerce who were constantly saying that it was factors such as low interest rates which most mattered to them.

He thought that Labour's remedies would put the public sector borrowing requirement up more steeply than ever. That was not the realistic way to create jobs.

Labour MPs reacted angrily when Mr MacGregor argued that some of the difficulties of the North-West region resulted from high wage demands, restrictive practices, poor industrial relations, overmanning, poor productivity, low profitability and a failure to introduce new technology.

Mr Alf Morris (Lab., Wythenshawe) reminded him that the country was now spending over £10bn on unemployment benefit which could better be used on creating permanent jobs.

Mr Charles Morris (Lab., Openshaw) asked the Minister how his criticisms of high wages and poor industrial relations could possibly apply to the textile industry, which had suffered a particularly heavy loss of jobs despite a co-operative workforce.

Mr MacGregor agreed that textiles were a special case. He said that while rejecting general import controls, the Government had imposed 570 quotas on low-cost imports from 42 overseas suppliers. The Government was also committed to renegotiating a tough successor to the present Multi-Fibre Agreement.

More cuts 'will be destructive'

By Elinor Goodman, Lobby Correspondent

ON THE eve of tomorrow's special Cabinet meeting to review the economy, two former Ministers yesterday gave a public indication of the kind of argument the Cabinet "wets" may deploy at the meeting.

Interviewed on Granada Television, Mr Norman St John Stevas, who was sacked earlier this year as Leader of the House, and Mr Jim Lestor, the former junior Minister at the Department of Employment, argued that the present policies will lead to electoral disaster, and that further cuts in public spending would be destructive.

But, interviewed on the same programme, Mr Leon Brittan, the Minister in charge of public spending, made it clear that public expenditure would have to be cut if any of the capital spending projects now under discussion were to get off the ground.

Mr St John Stevas renewed his attacks on a dogmatic approach to economic policy. Monetarism, he said, was a technique and he was very anxious that the Government should not present Conservative philosophy as being "linked indissolubly to one set of monetary aggregates of dubious validity." He warned that there was a "re-emergence of Disraeli's two nations" in the sense of those who were in work and those who were out of work.

Elinor Goodman reports on the personal manifesto of the Labour Party's deputy leader

Healey presents himself as candidate of compromise

MR DENIS HEALEY yesterday formally launched his bid to retain his job as Labour's deputy leader with a policy statement in which he carefully avoided committing himself on some of the issues which had proved most decisive within the Labour Party in the past.

Instead, he presented himself as a candidate prepared to compromise in the interests of agreeing realistic policies on which the Labour Party can hope to win the next election.

To the irritation of some supporters of party leader Mr Michael Foot, Mr Healey also made it clear that he sees himself as fighting on a joint ticket with Mr Foot. Together, he said, they made a "balanced team."

In what amounted to his own personal manifesto, Mr Healey yesterday formally submitted his nomination for the contest and set out his reasons for standing.

In it he reaffirmed his support for many of the party's goals—like the need for an alternative strategy and the necessity of restoring full employment. He also committed himself to cancellation of Trident. But he tactfully left open precisely how he would deal with the key questions of Britain's membership of the EEC, disarmament, and incomes policies.

Nevertheless, the whole tenor of the statement brings out his very clear differences with Mr Tony Benn, his main rival for the deputy leadership, and to a lesser extent with Mr John Silkin, the other candidate in the contest.

Though Mr Healey does not indulge in any personal abuse, he does launch a thinly veiled attack on the tactics of some of Mr Benn's supporters, which is likely to strike a chord with many Labour MPs.

Like Mr Silkin he insists that the party must return to its "tradition of tolerance." He said he "detests" the sectarian hatreds which have been unleashed in some sections of our party. And that he "deplores the assault on the authority and integrity of Labour MPs."

Mr Benn, who as been invalided out of the contest till September, has already published his manifesto in which he stakes out his claim as the candidate fighting for the implementation of unadulterated Labour Party policies.

While the two rival candidates disagree sharply on some issues, their manifestos make it clear that they share some broad aims, particularly on social issues like the need to mount an attack on poverty, and inequality.

Ironically, given the hatred Mr. Healey engendered on the far Left during his term as Chancellor of the Exchequer in the last Labour Government, the Left will probably not find too much to complain about in a section of his statement devoted to economic policy.

He basically reaffirms his support for the alternative strategy now being negotiated between the TUC and Labour's national executive. He says that a policy for full employment must be further developed "in co-operation with the trade union movement."

This, he says, would mean "massive increases in public investment, the rebuilding of our social services and the management of our trade with feelings on the growth of imports all within an intergrated national plan.

Since the election, Mr Healey has repeated his belief in the need for some form of incomes policy, but though he may well refer to this again during his campaign for the deputy leadership his statement talks more vaguely about the need for developing policies with the trade unions, for industrial democracy and for controlling inflation. At this point, he stresses that his views are in line with those of last year's Labour Party conference.

Last year's Party conference also voted in favour of Labour including a commitment to withdrawing from the EEC in its election manifesto. Mr. Benn has laid great stress on this in his campaign.

Healey: reaffirmed his support for many of his party's goals

But Mr. Healey does not go as far as this in his statement. Instead, he talks about the need to "restore the sovereignty of Britain from control by the Common Market, and emphasises the need to reform both CAP and the Community Budget.

In the same way he negotiates the problem of Labour's party conference having voted last year in favour of both multilateral and unilateral disarmament, by saying he believes that thte overriding task in world affairs is to work for "genuine disarmament." He also stresses that defence spending has to be cut to bring it in line with Britain's allies and that this will mean cancelling the Trident project.

In his manifesto, Mr. Benn stressed the need for a Freedom of Information Act and repeated his belief that the House of Lords must be abolished—a view which the last Labour government successfully kept out of Labour's election manifesto.

Predictably, Mr Healey makes no mention of the House of Lords or any of the Left's other ideas for constitutional change. But, be claims that socialism to him means not only political, economic and social change "but also the enrichment of the individual's personality."

He ends, with another implied criticism of Mr. Tony Benn and his promises of quick action, "I believe that we must be honest with our movement and with the electorate as a whole by rejecting the easy answer and the instant solution and the temptation to promise more than we can perform."

Civil Service union meetings split in vote on all-out strike

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union members' meetings on pay yesterday further emphasised the wide differences on future strategy in the 14-week-old dispute, with some results showing clear rejection of an all-out stoppage and others giving the option full support.

Union officials were cautious about interpreting the results, being careful to stress that many more results were still to come before the Council of Civil Service Unions' major policy committee meets on Thursday to decide whether to call an all-out strike of two weeks in the first instance.

Voting in the largest union, the Civil and Public Services Association, seemed to confirm the general trend at the moment. The votes were running at about two to one in favour of an all-out stoppage. Some CPSA officials now, however, believe the final result could be close.

At the large Department of Health and Social Security centre at Washington, Tyne and Wear, which houses the key child-benefits computer, now strike-bound, there was a majority of more than 600 in favour of all-out action over the other two options of increasing the selective strikes or giving in.

However, there were doubts in some quarters about the level of the turnout at some CPSA meetings.

Voting in the Society of Civil and Public Servants, the union with probably the most militant leadership, had been going heavily by more than two to one against all out action, though yesterday's votes seemed to have closed that gap a little to bring it perhaps to about three to two.

Those branches which rejected the option of all out strikes in the main then took another vote. This called for selective strikes to be stepped up even though the unions' serious financial difficulties are now well-known.

The recommendation of the executive of the Inland Revenue Staff Federation for all-out action suffered a number of defeats yesterday. The motion was defeated at meetings in London and Birmingham which had been addressed by the union's two most senior officers.

Liverpool voted by 1,407 to 979 in favour of taking all-out action. However, the motion failed in the much smaller Portsmouth branch by a heavy 10-1 defeat. Further voting in the Institution of Professional Civil Servants confirmed early results of four to one in favour of selective strikes.

Department of Employment staff in Scotland who took unofficial strike action last week over benefit payments are expected to return to work today. The move follows local meetings with management yesterday, when 447 were still on strike and several local offices were affected by action.

However, further disciplinary action by the Government is expected either today or tomorrow in the Inland Revenue. There staff have been instructed by the IRSF not to reply to management letters asking for reports on the banking of cheques normally handled by strike-bound computer centres.

There were fears last night that about 9,000 collection staff might face such action by the end of the week.

The unions yesterday said the total revenue stopped by their action was £5,410m, comprising £3,590m in PAYE and national insurance contributions, and £1,820m in VAT, or about 40 per cent of revenue due. The Government's figures are more than £1bn lower.

The Government said in a Commons written reply that in the dispute more than £18m had been saved up to June 9, through non-payment of wages to strikers.

Air-traffic control staff at Manchester went on strike at 2 pm yesterday until 7.30 am today. The unions warned airlines the air-traffic control action will be stepped up.

Government firm on 7% blue-collar pay limit

THE GOVERNMENT yesterday made clear to negotiators for 160,000 industrial civil servants that the rise in the group's pay bill costs for this year would be restricted to 7 per cent, in line with the offer to white-collar staff, Philip Bassett writes.

Officials of the Civil Service Department said the increases would have to be contained in a 6 per cent cash limit, as with the white-collar offer.

While the offer was not formally put to the unions, they were left in no doubt of the Government's firmness on pay. Union leaders are likely to leave pay in abeyance for a week or more while the white-collar unions' position in relation to all-out strike action over their pay becomes clearer.

White-collar militants have been hoping the industrials might join their action but the blue-collar workers' leaders are aware there is little point in attaching themselves to a programme of action which may well be foundering.

Further, the industrial workforce has in many cases been unsympathetic to the white-collar action, because of the effect it has had on their bonus payments. Union leaders realise that if they accept a 7 per cent offer it will undermine the white-collar unions' position.

Current basic rates for the industrial workers range from £64.30 at band 0, the bottom end of the pay structure, to £89.60 at band 22. The basic craft rate is £85.20. On top of these payments is a complex system of bonus and efficiency supplements.

Prior gloomy over unemployment

BY BRIJ KHINDARIA IN GENEVA

MR JAMES PRIOR, Employment Secretary, said in Geneva yesterday there are no grounds for optimism about improvements in Britain's growing unemployment problem.

Even if the economy took an upturn, unemployment might continue to increase for some time, he said. Mr Prior is in Geneva to attend the annual Assembly of the International Labour Organisation (ILO), a United Nations agency which helps to improve workers' conditions through discussions among governments, trade unions and employers.

The Minister expressed some satisfaction at recent figures showing that unemployment is rising at a rate of about 60,000 workers a month, down from about 110,000 a month last year.

Mr Prior pointed to the increase in schemes to train young people and give them work experience for the time when the economy takes off again. "We are using a period of adversity for a great leap forward in training," he said. About 40 per cent of British school leavers have no job training.

Referring to troubles faced by Britain's textile industry because of imports from developing countries with cheap labour, Mr Prior said he would like to see "equal labour standards" in as many countries as possible, but Britain did not plan to become protectionist in trade. The textile industry has been run down by about 25 per cent during the last year, he said.

Officers at P&O call off action

UNION LEADERS of about 100 Merchant Navy officers said yesterday they had called off industrial action against the P & O deep-sea cargo fleet following agreement by the company to provide a job security guarantee.

About half the officers working on P & O's 51 general cargo ships were involved in industrial action. It was called last week by the Merchant Navy and Airline Officers' Association over plans to sell four refrigeration vessels to a foreign operator and then lease them back.

The union believed that the officers' jobs would be put at risk as a result of the proposal to take up flags of convenience on the four ships.

Yesterday the union said that under a peace formula agreed with the company over the weekend, officers' jobs will be guaranteed for at least three months and, in the meantime, the union will be consulted closely on P & O's plans for increasing the competitiveness of its cargo fleet.

● Hopes for a solution to a pay dispute which has seriously disrupted cargo handling in the port of Southampton rested yesterday on renewed talks between local leaders of the 1,600 dockers involved and their employers.

Dockers have put forward a revised pay claim following rejection of their original 28 per cent demand aimed at achieving parity with non-registered docks staff.

The British Transport Docks Board, the dominant employer, has said it will not improve on its 11 per cent offer. The port has been operating only a single day-shift service to cargo ships for about eight weeks at a cost of some £2m in lost trading.

Large construction site agreement expected soon

BY OUR LABOUR STAFF

A FINAL DRAFT of the new national agreement for large construction sites is expected to be drawn up in the next two weeks following the first meeting yesterday of the provisional national joint council for determining pay rates and other issues.

It is hoped to formally set up the new NJC in August and to have the new pay rate structure operating from November 2.

Apart from finalising the agreement, employer bodies and unions on the national council will have to decide in negotiations with employer organisations not on the council how these organisations' operations will be tied in.

The Engineering Employers Federation and the Oil and Chemical Plant Constructors Association, as well as craft and general unions, are represented on the NJC.

The NJC and the national wage agreement are seen as the tools to bring order into the traditional wage bargaining chaos common at big construction projects.

The principal element of the national agreement will be a common wage rate for craftsmen and semi-skilled workers and a national framework for incentive bonuses.

This would be under the control of the national joint council, with each project setting up its own employer-union joint council but with a national procedure for resolving disputes.

Rethink urged on labour law plan

BY CHRISTIAN TYLER, LABOUR EDITOR

FURTHER CHANGES to labour law would harm rather than improve industrial relations, the Industrial Society said yesterday in its reply to the Government's Green Paper on trade union immunities.

The society, a non-partisan organisation brings employers and unions together to disseminate good workplace practices, is one of the few bodies outside the trade union movement to argue that there should be no tightening-up of the Employment Act, 1980.

Sir Richard Cave of Thorn Electrical Industries, the society's chairman, warned that the productivity gains British companies would be looking for as order books filled out again would be hampered if industrial relations were soured.

"You cannot get increases in productivity by law, only by co-operation,' he said

The society claims to represent the views of industrial managers, works managers, supervisors and shop stewards. Its views are in sharp contrast to those of the big employer bodies like the Confederation of British Industry, which are expected to urge the Government to act at least on two or three fronts in the next session of Parliament.

The most popular candidates for further legislative action are the closed shop and union-only clauses in public authorities' private tendering. Many employers also would like to see procedure agreements between employers and unions given some force in law.

But the Industrial Society said it regarded the role of law as at best minor. "Mrs Thatcher and Mr Prior should not be misled by the political attractions of tougher industrial relations law and so fail to look at whether it would actually work in practice," it said.

It argues that to make trade union funds vulnerable to civil suits for damages would be "Taking a legislative sledgehammer to crack the 10 per cent of official action while doing nothing to help—and perhaps exacerbating—the 90 per cent of unofficial action."

It recommended no further restriction on workers' legal immunity when taking "secondary" industrial action, no further action on picketing and no legally-enforceable agreements, on the grounds that it would be difficult to pin legal responsibility on the union involved.

The society warned that insistence on secret balloting for industrial action probably would mean no fewer days lost through official action and would not affect at all the number of days lost through unofficial action.

It rejects the "arbitrary" use of union-only labour clauses, but says there should be voluntary regulation.

The society instead is urging the Government to encourage greater disclosure of company information to employees, with regular briefings, representative committees and written explanations of financial and business performance.

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COMPANY NOTICES

C. ITOH & CO. LIMITED

To the Holders of Bearer Depositary Receipts:

Notice is hereby given that the 57th General Meeting of Shareholders of C. Itoh & Co. Limited, will be held at 9.00 am on the 30th June, 1981, at the Head Office of the Company located at 68, Kitakyutaro-Machi 4-Chome, Higashi-Ku, Osaka, Japan. Notice of Convocation of the meeting including proxy cards is available at the Stock Counter, Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, and Banque Internationale a Luxembourg S.A., Boulevard Royal 2, Luxembourg.

Summary of the results for the 1980/1981 Fiscal Year (ended 31st March)

When the Fiscal Year 1980 ended 31st March, 1981, the Japanese economy was characterised by continued export strength but gloomy domestic market conditions due to the slump in demand particularly in the household sector, accompanied the spread of deflationary effects from the rise in oil prices. In response to these circumstances, industry endeavoured to cut its production, especially in primary material industries, but inventory adjustment dragged on longer than was anticipated, commodity markets remained dull and local credit unease also emerged. Such conditions contributed to an overall grimness in the domestic economic setting. As a consequence, from the middle of the year there was heightened concern over the conduct of government policies affecting business conditions; two comprehensive economic programs were set forth and the official discount rate was lowered three times.

Meanwhile overseas, the U.S. economy exhibited a rapid deterioration due primarily to subsidence in personal consumption at the start of the year. Afterwards, although in general trends began to pick up, a full-fledged recovery did not take place. High interest rates continued to impact the economy and business performance worsened for many industries such as automotives. The West German economy extended its retreat throughout the year, with its employment situation becoming further aggravated. Also, the international political scene showed continued uncertainty while during the year war erupted between Iran and Iraq and the situation in Poland intensified. Nevertheless, anxiety over the supply and demand for oil was partially alleviated by reduced demand that resulted from the economic slump in the advanced countries and the oil price hike.

While facing such domestic and overseas circumstances, C. Itoh energetically persisted in improving the quality of its management and worked hard to strengthen and expand the operations base of the entire Company. We have thrown our full energy into promoting the development and import of important foreign natural resources and the export of large scale industrial plants, while at the same time emphasising the continuing enlargement of our office network at home and abroad and the building up of associated companies.

As a consequence of these efforts, total trading transactions for C. Itoh in the Fiscal Year 1980, increased by 20.8 percent to reach over 10.704 Billion Yen, the first time we have surpassed the 10 Trillion Yen level. Turning to profit results, consolidated net operating income rose to over 175.8 Billion Yen (up 19.5 percent) and pre-tax current income to 13.1 Billion Yen (up 10.2 percent) yet due to such factors as the inclusion in this year's Special Losses Account of losses from ship charters which C. Itoh incurred in conjunction with the previous year's disposal of its interest in Toa Oil Co. Limited and Toa Kyoseki Co. Limited after-tax income came to 4,524.86 Million Yen. Therefore, we seek your approval of the proposed year end dividend for the Fiscal Year 1980 of 25 Yen per 10 Shares.

Furthermore, to improve the Company's long-term financial position, 40 Million Shares of Common Stock were issued at Market Price and offered publicly. Thanks to your kind support, the purchase of these Shares was completed on March 31st without incident so that at April 1st C. Itoh's capitalisation stood at 39,251,476,800 Yen. The Company wishes to express its heartfelt gratitude to our Stockholders for having helped achieve these results.

Reviewing the outlook for next year, recovery of the world economy is expected to lag from the end of the present year. Domestically also, though the economy is moving toward recovery, the pace of this recovery should continue to be poor for some time. Many opaque factors in the outlook remain, such as the international political situation, crude oil trends and currency and trade issues, yet the business environment remains assuring.

C. Itoh is determined to respond sensitively to future changes in circumstances and, besides undertaking sound management policies for the thorough reform of our administration, is devoting its full powers to such tasks as securing stable imports of energy and important natural resources, exporting various types of industrial plants and enlarging further our customer base. Last Autumn, C. Itoh's Tokyo Head Office moved to our new building in Aoyama. Taking this opportunity, our entire staff is making every effort to renew its will, strengthen further its overall ability and meet the expectations of Stockholders. Accordingly, we sincerely urge the redoubled support and co-operation of all our Stockholders in these endeavours.

Annual Report for the 1980/1981 Fiscal Year will be available at Hambros Bank Limited and Banque Internationale a Luxembourg S.A. by the end of July 1981.

HAMBROS BANK LIMITED

Canadian Pacific Enterprises Limited

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held at Montreal, Quebec, on the 4th day of June, 1981, resolved that a quarterly dividend of twenty-eight cents (28c) Canadian per share on the outstanding Common Shares of the Corporation be and the same is hereby declared payable on July 22, 1981 to shareholders of record at the close of business on July 2, 1981.

By order of the board,

G.S. MacLean,
General Manager, Administration and Corporate Secretary.

Montreal, Quebec June 4th, 1981.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

MR DICK GLOVER, General Manager of Intel Magnetics, with the megabit bubble chip set. He says that Intel is spending $3m on expansion of manufacturing capacity

Why bubble memories fell from grace

BY LOUISE KEHOE IN CALIFORNIA

THE BUBBLE memory was supposed to take the data storage business by storm. Just three or four years ago, bubble memory was seen as the major new data storage technology of the future.

They would sit alongside every microprocessor providing a mass storage system at a fraction of the cost of semiconductor memories or discs; or so it was thought.

The reality, however, has turned out to be much less dramatic. While bubble memories are beginning to catch on, they have been very slow to reach their potential, and are no longer viewed as a major threat to the popular floppy disc memory device which is used in most small computer systems.

Economics

Already, two of the major manufacturers of bubble memories in the U.S. have lost patience and announced that they are dropping bubble memory products. Last year, Rockwell, one of the early leaders in bubble technology, was the first to throw in the towel having ploughed millions of dollars into development of the technology.

More recently, Texas Instruments shocked the industry by announcing that it too will discontinue bubble memories at the end of the year. The semiconductor giant has been feeling the recessionary pinch, and has cut back on several of its products including watches and bubble memories.

Texas says that the decision to axe bubble memories was based purely on economics. The company simply did not have the resources to continue development work in every field, and chose to back more profitable product lines.

According to Texas, bubble memories were chosen because, "the market growth did not meet our expectations." It has become clear that bubble memories will not have the broad market that was originally predicted for them."

Texas had a major share in the bubble business. By industry estimates, it ranked second to Hitachi as a supplier of bubbles, holding 27 per cent of the world market. Its sudden decision to back away from bubble memories has greatly upset their customers — makers of data terminals, instruments and small computer systems—and severely shaken confidence in the future of bubble memories.

But the advantages of bubble memories, which gave them so much promise, still stand. Bubble memories are faster than discs and inherently more reliable than the mechanical systems used to operate disc drives. They are extremely rugged and can withstand harsh environments where there are temperature extremes, changes in air pressure and humidity, poor air quality, vibration and shock or a high risk of power loss.

Other storage devices can fail easily or require high maintenance in these environments. Like disc stores, they are non-volatile which means that they do not lose their memory contents when the power is turned off. This gives them an advantage over the widely used dynamic RAMS.

They also have a much higher data capacity then semiconductor memories, with the current generation of magnetic bubbles holding up to one megabit of data as compared to the 64K bits held in a RAM.

Semiconductor makers have become the major producers of bubble memories because the fabrication of these devices is in many ways similar to that of semiconductor chips. The principles of operation of the magnetic bubble memory (MBM) are, however, quite different.

The "bubbles" of MBMs are small islands of reversed magnetisation in a sea of uniform magnetisation of the opposite polarity. They are formed within a thin, single-crystal film of synthetic garnet, in the presence of a magnetic field.

The bubbles are only a few microns in diameter and can be moved by the creation of a magnetic gradient across the garnet field. Viewed under a microscope with polarised light, the bubbles look like fluid circular areas—hence the name.

A pair of coils surrounding the bubble chip produces a rotating magnetic field which can be used to control the movement of the bubbles along tracks that are formed using standard photolithographic methods. The bubbles can be controlled to perform memory functions. The presence of a bubble at a particular location corresponds to a binary "1," and the absence of a bubble corresponds to a binary "0."

By contrast, the comparable functions are preformed in semiconductor memories by switching transistors on and off.

The functional elements of a semiconductor memory are larger than bubbles, and in the case of RAMs, when the power is turned off the elements can change state thus losing the data stored in them.

Given all the advantages of bubble memories, why have they not been an instant success? Several factors have held them back, according to industry experts. First, they have proved more difficult to make than had been expected. This has meant that products have been slow to reach the market.

The most widely held view is that falling prices of competitive technologies such as mini-floppy discs have made bubbles an expensive alternative. At today's prices, bubble memories are about five times more costly than floppy disc memories for the same amount of storage capacity.

Low cost has made floppy discs very popular in personal computer applications where bubble memories had been projected as having a large volume use.

At National Semiconductor, one of the semiconductor firms that has put a major development effort into bubble memories, Pierre Lamond, technical director, has a different theory as to why bubble memories have not become as popular as expected.

"Until recently nobody had a good set of support circuits—drivers, readers and controllers that make it easy to build a bubble memory into a system," he said.

"That restrained the market." Recently, however, National has introduced a five chip set that supports its 256K bubble memory and its soon to be announced one megabit bubble memory.

Standardisation

"The second problem," said Lamond, "has been the lack of standardisation. In bubble memories, Rockwell, Intel, National and Texas have all been building parts with different designs."

This has meant that users cannot find a second source for a bubble memory part. Lamond says that National has taken a step towards solving this problem by signing a second source agreement with Motorola. He feels that this will help the market to develop.

"For National, bubble memories have been a multi-million dollar investment," said Lamond.

"They are not profitable yet," he concedes, but he expects them to be so within a year.

Intel is even more bullish about the future of bubble memories. Although Intel entered the market later than its competitors, the company jumped straight into the deep end by announcing a one megabit bubble memory—four times larger than any other available at the time.

It has taken a unique approach to bubble memories by packaging them into a memory system which can be plugged right into a computer. The company's latest product, introduced in April, is called "plug-a-bubble" and is designed to fit into the same space as a mini floppy disc.

By 1984, the bubble memory market will have expanded by a factor of ten from its present value of around $30m, to more than $300m, Intel believes.

According to Intel Magnetics General Manager, Dick Clover, the company is putting an additional $3m into expanding its manufacturing capacity for one megabit bubble memories and into development and production of a four megabit bubble memory device that will be introduced some time during the second half of next year.

Intel is also guaranteeing customers a falling price curve for bubble memories for the next 18 months with 1982 prices falling to close to 50 per cent of today's prices.

Optocator from Swedish company

A NON-CONTACT measuring system called Optocator developed by a Swedish company Selcom can deal with thickness, width, flatness, and several other variables in processes that involve rolling or forming, at high or low temperatures and regardless of surface texture.

The instrument uses a narrow beam of light which is focused to a small spot on the surface to be measured. The tiny focused spot scatters light, some of which is picked up by an optical system having its axis at about 45 deg to the incident beam.

The image of the spot is brought to a focus on a photosensitive measuring array in the receiver. Thus, when the measured surface moves up and down the spot moves back and forth across the array,

Using a second gauge from beneath a web, thickness can be measured. In addition, because the high frequency response extends to 2 kHz, vibration measurements are possible. The probes are available in six calibrations from eight to 256 mm. More from Box 250, S-43301 Partalle 1, Sweden.

Splitz mobile platform launched

A MOBILE platform which could be very useful for loading and unloading road vehicles when no loading bank is available has been devised and is now available from Splitz of St Peter's House, Bishops Road, Peterborough, Northants (0733 41285).

By forming a temporary loading bank, the platform provides stacking and manoeuvring space at floor height immediately behind the vehicle. Called the Loadsafe, the platform is adjustable to the height of any vehicle floor and it can be moved by a forklift truck.

The front end of the platform rests on a pair of nylon-tyred wheels which are mounted on a frame that can be raised or lowered by a built-in manual hydraulic pump. The rear of the platform rests on telescopic legs which may be adjusted to the required height.

The platform is manoeuvred by a forklift truck the tines of which will slot into "pockets" so that the platform can be lifted and moved to the required position.

Length of the Loadsafe is 16 ft 8 in and width is 8 ft 2½ in. The first models to become available have a safe working load of 2 tonnes, but the company says the platforms can be constructed to suit any weight requirement.

..POINTERS..

White hope

A PRIVATE Viewdata service has been set up by Unilever Computer Services.

Using IVS-3 viewdata software from Systems Designers, the service will allow users seated at a terminal to access data they have built up in a tree-structured data base at the UCSL computer centre.

Terminals can be on customers premises, connected over the UCSL communications network. Terminals will consist of a colour television receiver with a choice of simple keypad, normal typewriter keyboard or a full editing keyboard for entering data.

Marketing manager for the product Andrew Egan is convinced that "viewdata could be computing's great white hope to bring in a market which previously has been largely disinterested."

The company is in Wembley, Middlesex on 01-903 1414.

European satellites

THE EUROPEAN Space Agency has commissioned Logica, a leading UK systems house, to give advice on the next generation of European communications satellites.

From the technical angle the study will examine predictions of the growth of communications traffic in the next 20 years and consider the available space borne and ground communications technology.

Assistance will be provided by the consultancy arm of British Telecom on questions of policy

Imprinting

A DIFFICULTY with plastic credit card imprinting on to paper is that the amount has to be written in by hand—possibly with an illegible result.

In the newly introduced model 1500 from Farrington Business Systems of Feltham, Middlesex, (01-890 3693), selection of the required amount is by means of seven levers, one per numeral, that produce a direct printed impression on the paper.

The machine accommodates both A and F card sizes (banking and retailing) and will also accept 51 and 80 column sales dockets. The printed numerals can be scanned by OCR reader.

Software packages

WANG, THE U.S.-based business computer company reports that it now has an X25 software package for use with its 2200 series of small business machines.

X25 is an important proposal by CCITT (the consultative committee of which the European PTTs are members) for the connection of computer terminals to packet-switched data networks. It allows business computers to communicate through public and private packet switched networks.

The new software is supported by a new telecommunications controller. IBM 2780, 3780 and 3270. Emulations are among the first applications of the new hardware.

The difficult art of managing diversity

Ian Hargreaves examines the record of TRW in building its car componente-to-satellites empire

BACK IN April, Dr Ruben Mettler, chairman of TRW, made a routine announcement to financial analysts in Chicago. "The company expects first quarter results to be about the same as 1980's first quarter," he said.

Eighteen days later TRW, a major motor components group, issued its first quarter report, showing net profits up 15 per cent at $55m and sales up 11 per cent at $1.36bn.

An embarrassed Dr Mettler issued a statement blaming the inaccurate forecast upon unexpectedly good results from the company's energy products and on a lower tax liability. At TRW's Cleveland, Ohio, headquarters, there was an inquest.

"Mettler does not like surprises," says Charles Allen, the company's top financial executive. "We want to be in complete control of our operations, not to mention our credibility with the financial community." The error, he adds, stemmed from an over-conservative projection by a recently promoted divisional head, someone who presumably had not yet quite grasped the fact that TRW frowns upon modesty which violates the corporate credo of exactitude in all things. "We have a pretty rigorous forecasting and reporting system. Within TRW it is probably the most rigorous management discipline we have," says Allen.

Exacting

With 110 profit centres, an average factory payroll of only 300 people, sales of nearly $5bn last year and product lines across a spread of industries in numerous countries, such stringency in dealing wth management information flow is no more than one would expect.

But when it comes to wider questions of crystal ball-gazing, TRW's strategic planners have established an impressive record, building a company whose bread and butter has always been components for the highly cyclical motor industry, but which has not in the last two recessions even suffered as much as a quarter to quarter drop in profits.

In part because of this pattern of achievements in business soothsaying, all eyes are now upon TRW's most recent strategic move: its decision to cast in its lot with Fujitsu, the largest Japanese computer company. The feeling in some quarters is that if TRW has got its U.S. joint venture with Fujitsu right, a lot of other American electronics companies may be getting it wrong.

The company's rather unusual blend of the familiar and the fabulous—its products range from satellites and semiconductors to steering wheels and submersible pumps—is the legacy of its past. In TRW, T is for Thompson Products, a fancier name adopted in 1926 for the Cleveland Cap Screw Company.

In the 1950s, growing with Detroit, Thompson was far-sighted enough to kick in some financial support for a couple of young men, Simon Ramo and Dean Wooldridge, who had set up their own electronics business behind a Los Angeles barber shop, having tired of the eccentricities of Hughes Aircraft Company under the aegis of the legendary Howard Hughes.

By 1958, Ramo-Wooldridge was a leader of missile guidance systems and ripe for a merger with Thompson. Dr. Ramo retired as TRW vice-chairman in 1978, but is still chairman of TRW-Fujitsu. As a younger colleague put it, he is the company's own philosophical satellite, orbiting into communication zones periodically with intimations from distant places.

For a long time, some people thought a company with such a split background and personality would never make it. Either the motor business was making money and the "crazies" in Los Angeles losing it, or the sceptics thought the company would be ungovernable.

Doubters

Even though the top executive group in the company is still heavily biased in favour of those who rose on the West Coast rather than the Midwestern ranks, the results have silenced those doubters.

Spotting the dangers of deep-rooted inflation after the Opec crisis in 1973-74, TRW decided that only companies with very strong balance sheets would stay above the coming turbulence. In 1974, long-term debt was heading perilously towards the level of shareholders' equity.

At the end of last year, debt was back in a 1:3 ratio with equity and by every form of financial analysis, TRW had a grade-one balance sheet. TRW also raised its return on investment criteria for investment projects to allow for inflation and, more recently, has started to implement a detailed inflation-adjusted accounting system for its managers. "I'm ashamed to say we only started that 18 months ago," says Allen.

Even more impressive, TRW spotted the inevitability of quantum leaps in energy prices early, so it concentrated in its motor parts business on making products for smaller cars. One result of this was that it saw the logic of going for a worldwide market more clearly and today, in Detroit's hour of crisis, is relatively less dependent upon the home industry than most of its competitors. TRW can claim that every passenger car built in the world contains at least one TRW component but that no car contains more than $50 worth of TRW components.

This awareness of the energy business was also channelled into the development of the company's energy division, which primarily sells motor-related equipment, such as valves and pumps, to energy explorers. In its electronics activities, with their strength in military projects, TRW has also applied itself to energy control technology in, for example, transport equipment. Even the company's satellite and advanced communications work echoes this central theme.

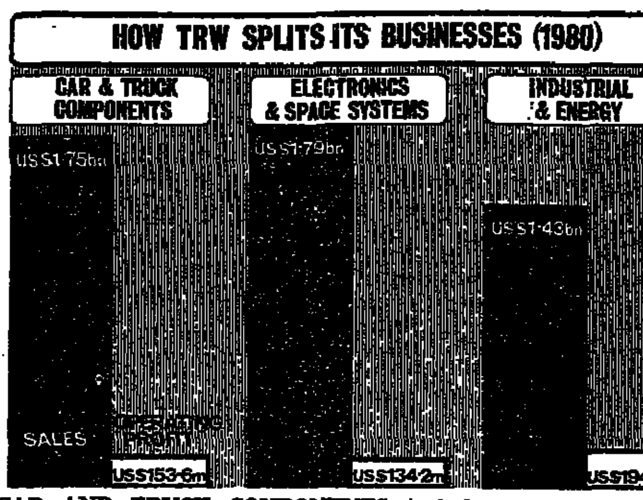
The company's profile is one of classic counter-cyclical balance. Since 1976 the contribution to profits of car and truck has steadily fallen from 56 per cent and 32 per cent. Energy products grew to more than offset this shortfall. Electronics and space, in many years a plodder in profit terms, came into its own last year and promises a rich harvest from the increased defence spending promised for the Reagan years.

The company also has a geographical diversity, drawing 34 per cent of its sales from overseas—most of that from motor components in Europe. Another 20 to 25 per cent of sales are to the U.S. Government.

Profitability has predictably been hurt by the débacle in the motor industry, but most auto components companies would have given a great deal for an overall return on sales of 7.4 per cent in 1980. Of nearly 300,000 North American autoworkers laid off in the slump at the end of last year, only 400 were from TRW. The remaining 7,700 TRW people continued working normally.

In the last five years, TRW has raised sales by 70 per cent, profits by 45 per cent, research and development expenditures by 81 per cent and capital spending by 170 per cent. Debt, meanwhile, rose by just 10 per cent.

HOW TRW SPLITS ITS BUSINESSES (1980)



CAR AND TRUCK COMPONENTS include steering systems; engine and chassis components, including valves, piston rings, joints, pumps, hydraulic motors, seat-belts, tools, electronic controls.
ELECTRONICS AND SPACE SYSTEMS include electronic components; software systems; telecommunications equipment; satellites.
INDUSTRIAL AND ENERGY include bearings; tools; dies; fasteners; pumps; cables; aero-engine components.

THE LAST FOUR YEARS OF GROWTH

	1976	1977	1978	1979	1980
Sales ($m)	2,929	3,264	3,878	4,560	4,984
Net return on sales (%)	4.5	4.7	4.6	4.3	4.3
Net profit ($m)	132.2	154.2	174.2	194.6	211.9
Return on average assets employed (%)	11.7	12.6	12.3	12.1	11.9
Inventory turnover	4.7	4.9	4.9	5	5

Today, TRW gives the appearance of knowing exactly where it wants to go. It has published targets which call for a 10 per cent real return on investment against an actual 6-7 per cent last year, 5 per cent real earnings growth annually (against 4 per cent average between 1975 and 1980) and the preservation of a top quality balance sheet.

The 28-page data book in which these forecasts and goals appear also provides a statement of strategy for each division — in itself an outstanding example of transparent planning, even by the communicative standards of American business.

Strategy

The essence of the strategy is to pinpoint world business trends and products and the presence required to meet them. En route, TRW will ditch unsatisfactory operations and push hard to improve productivity, for which a specialist has just been appointed at vice-president level to add to the efficiency drive.

"We will take risks within an envelope of conservatism," is how Allen puts it.

For the motor industry, this strategy means trying to stay in front in beneath the bonnet (hood in American) electronics applications. It also means forging a stronger position in high-power circuits and staying at the forefront of the space race, especially in booming but congested communications satellite field, where TRW is a leader. In addition, something has to be done about the company's laggards, such as the UK components interests, whose rate of return, Allen says, is one-third below company averages. "Our best European plants are one-third better than the company average," he says.

The Fujitsu joint project, however, is the most intriguing. Signed between two companies last year, it is in a sense an admission of failure for TRW. The company bought Singer's data processing business in 1976, but has never made a success with its mish-mash of point-of-sale hardware and broader software capabilities.

TRW decided to throw in its lot with Fujitsu because it decided it could not compete. "Quite frankly, they have a superior product. We did not think it was practical for us to produce a product of comparable quality," says Allen. "Partnership is not a mode we like. We prefer to keep control of the destiny of things we invest in, but this was the only viable way."

TRW's initial contributions to the venture are its Singer hardware, its software know-how, in which the Japanese company is considered to be deficient, and its widespread network of 3,000 service engineers. To begin with, Fujitsu will supply rather more than half the $100m investment in cash and hardware. The first computer, the TFC 8500, a small to medium-sized system, priced between $25,000 and $200,000 will be delivered next month.

Significantly, Fujitsu will own 51 per cent of the venture, even though TRW people will run it from a Los Angeles base. Allen admits TRW was not happy with minority ownership, but says Fujitsu would settle for nothing else.

Before long, the old Singer machines will be phased out and the venture will offer a full range of Fujitsu machines, quite probably, if things work out well, involving some U.S. manufacture.

Allen says it will be seven or eight years before the project makes any money for TRW, assuming no setbacks. Already, he concedes, there have been clashes of style and culture, as the Japanese have pressed for a rapid attack across a wide market spectrum while TRW argued for caution. "They are very aggressive and they want to move in in a big way," he says.

For some of TRW's competitors, the Cleveland company is a Trojan horse and they have said so. The potential for the collaboration is huge, but only if TRW really can mould its relationship with the Japanese company into a thorough partnership involving all its own electronics activities.

Fujitsu might want to use TRW as a bridge to be abandoned when convenient (just as Ricoh has abandoned Savin in the copier business), but TRW has a hefty stake in proving the contrary. Certainly, the TRW-Fujitsu venture will be watched closely. It could just be that TRW's identification of the superiority of Japanese hardware technology will eventually be seen as the 1980s equivalent of having read the energy tea-leaves accurately in the 1970s.

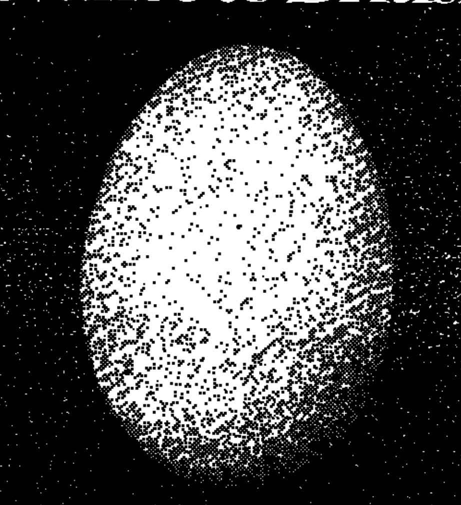
In the next couple of years the probable return to something closer to normality of the American and European car markets could well find TRW in the unusually pleasant position of swiming in cash. Aware of this, the company has started to think about possible acquisitions.

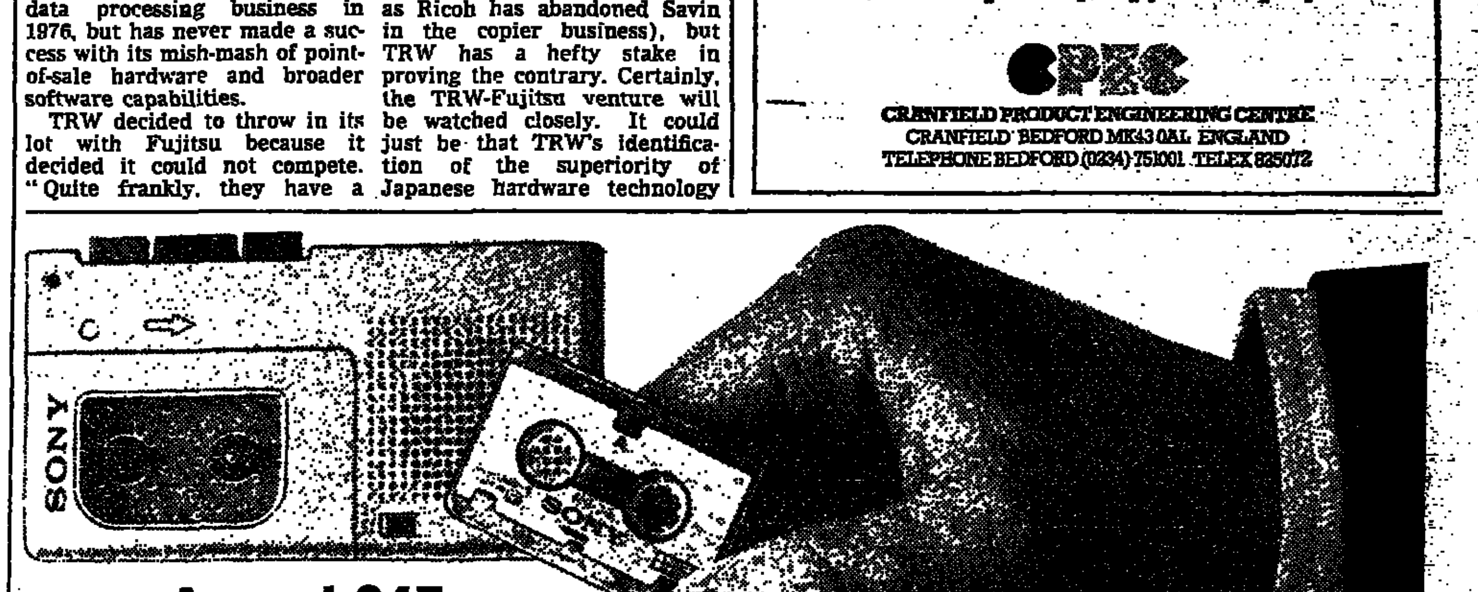
According to Allen it has not really got much beyond setting principles: no hostile takeovers, no ailing companies (like the Singer data processing business) and nothing far out of line with TRW's current concerns.

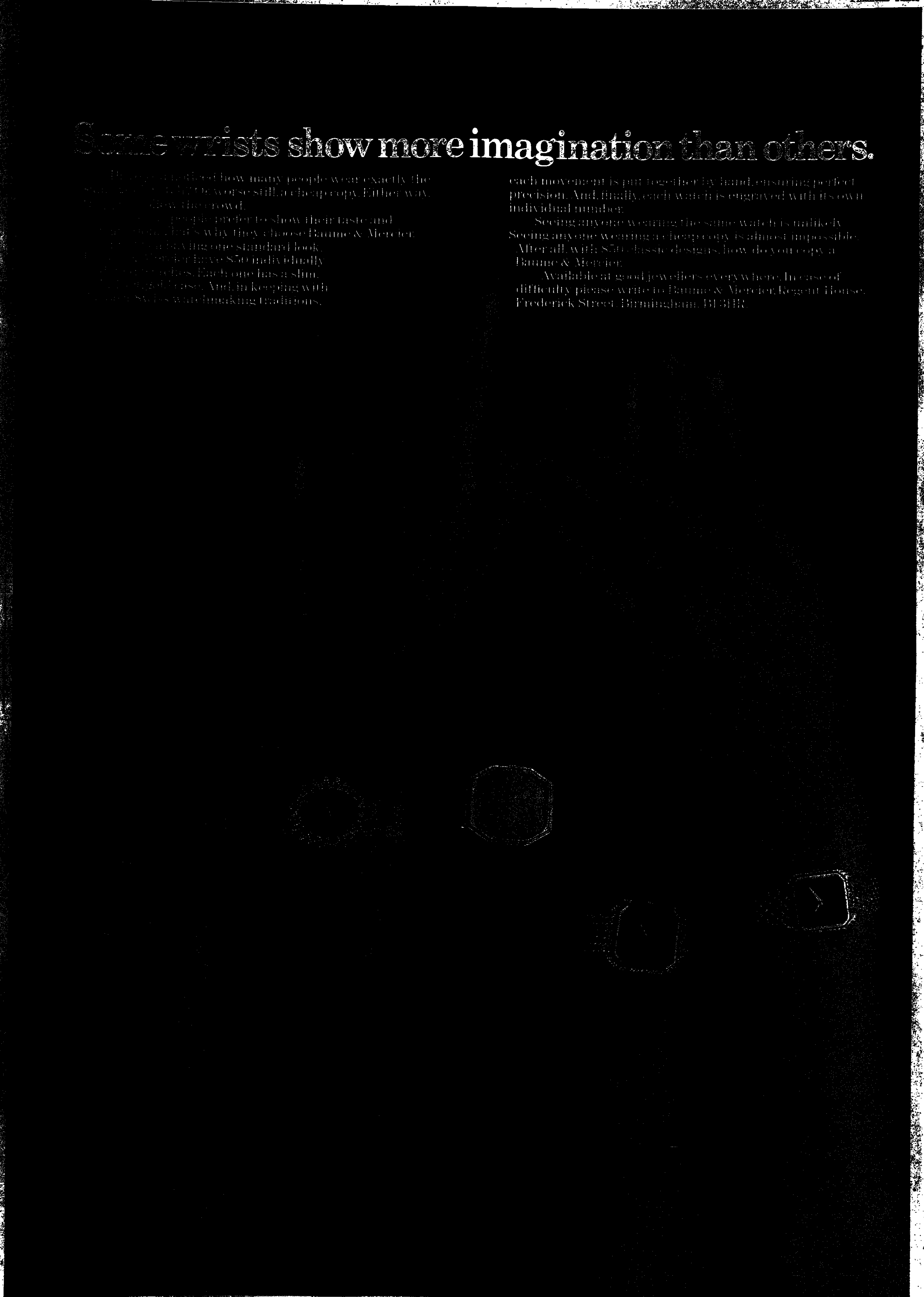
"It is possible that eventually we could consider adding a major new sector, but we're not out beating the bushes," he says. "Any acquisitions would also have to fit TRW's determination to remain an operating company, albeit a diverse one with top management organised along functional rather than product lines, instead of being a holding company, which is what many conglomerates are.

"We've got a pretty good balance now," says Allen, "so we wouldn't be out to change that in any radical way." For a company which has just made a more than averagely bold move in data processing, this comment is an appropriate enough summary of the spirit of radical conservatism, or as someone once called Dr Mettler's style "prudent adventurism."

Charles Allen, TRW's executive vice-president, with technicians examining a communications satellite built for the U.S. Air Force.






Some wrists show more imagination than others.
noticed how many people wear exactly the
Or worse still, a cheap copy. Either way,
the crowd.
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LOMBARD

Fighting inflation is not enough

BY NICHOLAS COLCHESTER

"SUSTAINED GROWTH in output and hence in employment will take place only if the process of inflation is brought under control." This dictum, taken from the latest annual report of the Bank for International Settlements, has dominated the economic policy-making of Western countries since the mid-1970s.

Is it true? Is there a causal link between inflation and *absence of growth*? It is an appropriate time to re-examine this question because there are signs that faith in the hypothesis is beginning to crack. The U.S., the country which some would argue gave the West inflation in the late 1960s, has suddenly become hyper-zealous in its campaign to stifle dollar inflation by monetary means.

Precedence

Its neighbours, burdened with mounting unemployment, are finding the upward pressure on interest rates hard to take. They are urging the U.S. not to put such drastic reliance upon monetary policy. It is hard to say whether they are only criticising the means by which the U.S. is attempting to control inflation or whether they are beginning to wonder whether employment ought not to take precedence as an end.

I believe that inflation is directly damaging to growth—and above all in developed countries. Any country which is up at the leading edge of economic development and which is feeling its way forwards from being an industrial to becoming a post-industrial economy is very dependent upon the twin mechanisms of price and return-on-capital for its navigation. In the delicate matter of allocating resources towards an unknown end by entrepreneurial trial and error the presence of inflation, and uncertainty about future inflation, has a profoundly disorientating effect.

Whether inflation directly diminishes the flow of savings available for investment remains questionable: the evidence is inconclusive. But it is obvious that uncertainty about future inflation plays havoc with the allocation of capital. The technique of Discounted Cash Flow becomes impracticable. Industrial investors are forced to pull in their time horizons, trusting the three-month interest rate but having no idea whether the five-year rate will conform to inflation. Borrowers and lenders find it very difficult to agree upon a fixed rate for long term money.

Growth in developing countries is less hindered by inflation—last year Brazil produced a real growth rate of 8 per cent despite Government efforts to control inflation running at over 100 per cent. The path for their development, or at least a path for development, has been mapped out for them by industrial countries.

Planification has a chance under such circumstances. It helped France join speedily the ranks of the fully industrialised countries after the war. Today France is up there at the "leading edge." Will planification still work? Or will it create an overweight nuclear industry and a muscle-bound computer sector? My bet is that today's France needs the price mechanism like the rest of us—and this means that it needs price stability.

A battle against inflation is therefore a necessary condition for durable growth in a developed country, but it does not seem to be a sufficient one. As the Western governments argue themselves from the belief that inflation must be contained, to monetary restraint, and on to fiscal balance (in the attempt to achieve monetary control without high interest rates), they may appear to leave themselves without means to act against recession, becoming mere book balancers, reluctantly metering out legal tender.

Part of the answer surely lies in their encouraging the investment which is so threatened by inflationary circumstance. Up there at the leading edge the process of entrepreneurial trial and error must be fostered. In the British context this means making sure that, at one end of the scale, venture capital is available, and at the other, that British Telecom be allowed to compete in the market for investment funds while ICL be asked to find its own way out of its problem.

On the other hand, away from the leading edge, there are areas where Britain resembles a developing country and where a degree of planification and resolute Government investment are an appropriate way of mobilising savings to stimulate the economy. Our ageing economic infrastructure—and in particular the transport system—is the obvious candidate here.

1970 clarets are worth waiting for

WINE

BY EDMUND PENNING-ROWSELL

LONG-TERM readers of this column may recall that it has been customary to report on the first-growth clarets of good and fair vintages when they had passed their first decade—generally accepted in Bordeaux as the first point at which they *may* reasonably be assessed. The very marginal vintage of 1969 was "looked at" a few months before its 10th anniversary, and the opinions of six experienced male and female claret drinkers were published in this column on June 19, 1979.

The much superior, somewhat closed-up 1970s could, however, be allowed the full 10 years and were considered only a few weeks ago. They were opened at dinner; for whatever the merits of tastings, blind or otherwise, claret, and indeed all red wines, go best, most "openly" with food, in this case roast English lamb and truckle Cheddar cheese.

First, the background of the vintage is worth mentioning. The previous one of real distinction was 1966; for 1967 was no more than fair, 1968 dreadful and 1969 far less good than initially appeared. Thus, a fine 1970 was highly desirable, and after a riskily late spring, so it turned out. The summer was hot, the early autumn fine and a record crop of over 2m hl of *appellation contrôlée* red wine ensued. (Five of the more recent vintages have been larger, but the area of red-wine grapes has since been considerably increased, partly at the expense of the whites.)

In view of the large crop, there was a tendency for the first opening prices, a couple of months after the vintage in September, to be moderate.

For example, the leading second-growth, Léoville-Las-Cases opened at FFr 8,700 the *tonneau* (equal, then, to 96 dozen bottles). Unfortunately, however, speculation / investment in wine suddenly became very popular as an alleged hedge against inflation, and early in 1971 prices shot up. Léoville offered successive "slices" of its crop at FFr 13,000, 14,000, 16,000 and finally 18,000 per *tonneau*. Other started higher than St Julien did.

As for the first-growths, whose prices do not come out until the following spring, and whose 1969s had been unwarrantably high (Mouton-Rothschild FFr 75,000, Lafite FFr 70,000, Latour FFr 48,000), an effort was made by Baron Philippe de Rothschild to restrain them. He suggested to the others (in name Mouton did not become a first-growth until 1973) that they should offer their wines at moderate prices, and his first *tranche* came out at FFr 36,000, and was more or less followed by the others, except Lafite, which offered its wine at FFr 59,000.

The Lafite-Mouton rivalry was then in full cry, so Mouton replied with a second offer at FFr 65,000 and the fight was on, culminating in some six-figure prices for the less good 1971s and the miserable 1972s. And, as we all remember, this extraordinary boom was followed by the energy-crisis-primed slump at the end of 1973 and the massive disposals of first- and other classed-growths in the following two years.

Almost, it might seem in revenge, these 1970 classed-growths have been rather closed-up and withdrawn. If their successors, the 1971s have developed faster than expected, they have matured more slowly.

At this dinner seven first-growths were served, but not Ausone, which at this period was not making the quality of wine that it has in the past few years. To choose the order of serving is always a problem, particularly for Cheval-Blanc and Pétrus. In fact we served them last in that order, preceded by Ch. Margaux, Haut-Brion, Lafite, Mouton-Rothschild and Latour. All the wines were decanted about three-quarters of an hour before we sat down, when the first two were circulated. The last two were reached about an hour later, but then all were refreshed from the decanters. One of the male diners is a well-known Master of Wine, and one of the women a wine-writer. All six have had reasonably frequent opportunities of drinking first-growth clarets.

The following notes made at the table have been "refreshed" by those of the rest of the party. Generally speaking, the wines were thought fine and were admired.

Margaux. Medium colour. Little nose at first, and the wine tasted backward, but it developed well in the glass, and showed a real Médoc bouquet, which was particularly appreciated by two people, and described by one as "silky." To me the wine lacked roundness, to another it had a slightly bitter finish, and there was some acidity.

Haut-Brion. Medium colour. Fine "brick-dust." Graves nose—"cinnamon" to one taster—that developed beautifully in the glass. Typical Graves flavour, fairly forward. Indeed, the most forward and drinkable of all. Not a big wine, and did not hold up in the glass as well as some others. All liked it, but some found it a little "austere" or "lean," but that is the style of fine Graves: refined. A matter of taste.

Lafite. More colour than the first two, "mulberry-coloured" to one. A fine nose that really opened out into an elegant Médoc aroma that was matched by the flavour, which two of the women described as "gamey." The taste was on the sweet side, naturally, and more forward than expected. A classic wine.

Mouton-Rothschild. Very deep colour, almost purple. Rich oaky nose "typical of the chateau," but rather dumb in the opinion of one, peppery in that of another. Although it opened up to some extent in the glass, the most backward of all, and rather dry on the palate. One taster described it as "scraggy" and there was a little acidity. Perhaps a little flat and not the best of bottles, as one had expected more fruit.

Latour. Huge colour, the deepest of all. A full but very young nose, and a big backward but fruity wine, with lots of tannin. Still unformed, but very well-balanced. Likely to take a long time to come round. As one of the party said, "fine in 20 years." For those prepared to wait.

Cheval-Blanc. Full, but not very deep colour. A "sweet," very attractive nose that developed more in the glass than any of the others. "Almond truffles," wrote another taster. An easy-to-drink wine, with perhaps not a great deal behind it, but very well balanced. Other comments were "elegant, fragrant," and "would seem much better if Pétrus did not follow it."

Pétrus. Very big colour indeed. The rich nose evoked varying comments. To one "blackcurrant pastilles," to others "peeled mushrooms" and "mulberries." (Spare a thought, reader, for those confronted with trying to describe in words the bouquet of wine.) Very rich, concentrated, blackcurrant flavour, almost like drinking burgundy—an overwhelmingly powerful alcoholic wine, "built to last," and not ready.

In the voting that followed, Pétrus narrowly came first, followed by Lafite—which was my preference. Then came Cheval Blanc, put first by one person, with Latour next, and then Haut-Brion, Mouton-Rothschild and Margaux. As on previous occasions, it must be emphasised these opinions were expressed on single bottles of each wine, opened and consumed at one tasting. Different views might be expressed by other people on other bottles. But at least it was demonstrated that the 1970 clarets are worth waiting for.

Piggott bids for more honours

RACING

BY DOMINIC WIGAN

THE curtain rises today on four days of Royal Ascot. Some of the best horses in Europe will compete for nearly £500,000 in prize money and Lester Piggott will attempt to maintain his near monopoly on the festival's riding honours.

For many, this afternoon's St. James's Palace Stakes—rather than Ardross's attempts to give Piggott a ninth Gold Cup victory on Thursday—will be the meeting's feature. It sees King's Lake and To-Agori-Mou renewing rivalry in what has been labelled the grudge match of the season.

Guy Harwood, who was only marginally more incensed than many neutral observers following the reinstatement of King's Lake as Ireland's 2,000 Guineas winner, has given probably as much care to the preparation of his disqualified colt, To-Agori-Mou, as he has to that of any runner.

The same may be the case with the handler of King's Lake, Vincent O'Brien, whose reputation on both sides of the Irish Sea has taken a knocking as the careers of Try My Best, Monteverdi and then Storm Bird ran into trouble.

Harwood and stable jockey Greville Starkey report To-Agori-Mou in better trim than at any time in the colt's career. Pat Eddery exudes confidence in the lightly raced King's Lake.

Logic points to King's Lake, a late developing half-brother by Nijinsky to Cloonlara, but I intend sticking by To-Agori-Mou.

If the ground continues to dry rapidly Dalsaan will be suited to the going in the Queen Anne Stakes. However, the Aga Khan's colt has, overall, been a disappointment since storming to a 20-lengths Kempton victory 13 months ago. But Dalsaan is worth another chance following a spirited display in Newbury's Tote Lockinge Stakes.

Piggott, who has ridden more winners at Royal Ascot than any other jockey in all but one of the past 11 seasons, is an even money chance to again take the riding honours.

Two better propositions, in my opinion, are Walter Swinburn and Pat Eddery. In addition to riding Dalsaan on the opening card Swinburn is aboard Linus Ginseng, a reasonably confident choice for the Coventry Stakes. Eddery's first-day mounts include Magesterial. The horse could surprise a shorter-priced Irish representative, Cairn Rouge, in the Prince of Wales's Stakes.

ROYAL ASCOT
2.30—Dalsaan***
3.05—Magesterial**
3.45—To-Agori-Mou
4.20—Linus Ginseng*
4.55—Sans Dot
5.30—Athford

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University. 9.05-11.37 For Schools, Colleges. 1.12 pm Regional News for England (except London). 1.15 News. 1.30 The Flumps. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol y cwm. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Jana of the Jungle. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Ask Aspel.
5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.55 Taxi.
7.20 The Tuesday Film: "Ensign Pulver" starring Robert Walker, Burl Ives and Walter Matthau.
9.00 News.
9.25 A Town Like Alice.
10.10 "Goodbye Darling . . ."
11.00 Platform One.
11.30-11.35 News Headlines.

BBC 2

6.40-7.55 am Open University.
10.30 Supervisors.
11.00 Play School.
2.15 pm Royal Ascot.
4.50 Open University.
6.55 The Great Egg Race.
7.25 Mid-Evening News.
7.35 Images of War.
7.55 Causeway's End.
8.35 The Theatre Quiz.
9.00 Rhythm on Two.
9.30 Maybury.
10.20 Royal Ascot—highlights.
10.40 Consort of Musicke.
10.45 Newsnight.
11.30 The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 *Thames News*. 1.30 About Britain. 2.00 After Noon Plus. 2.45 The Spoils of War. 3.45 Looks Familiar. 4.15 Porky Pig. 4.20 Razzmatazz. 4.45 Ace Reports. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Mind Over Matter.
7.30 Charlie's Angels.
8.30 Bud 'n' Ches.
10.00 News.
10.30 Where It Matters.
11.30 Rock Stage.
12.25 Close: Sit Up and Listen with Sir John Boyd.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia. 7.00 Enterprise. 11.30 Tenspeed and Brown Shoe. 12.25 am Anthology.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 Paris.

BORDER

1.20 pm Border News. 5.15 Welcome Back Kotter. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and weather. 6.00 Channel Report. 7.00 Welcome Back Kotter. 10.28 Channel Late News. 11.30 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 Chips. 11.30 North Headlines. 11.35 Police Surgeon.

GRANADA

1.20 pm Granada Reports. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 After All That, This. 11.40 Bluey.

HTV

12.30 pm Mind Over Matter. 1.20 HTV News. 5.15 Herr Meets Hare (cartoon). 5.20 Crossroads. 6.00 Report West. 6.30 Diff'rent Strokes. 7.00 Emmerdale Farm. 7.30 BJ and the Bear. 10.28 HTV News. 11.30 Music in *Camera—The Bournemouth Sinfonietta* is joined by Robert Tear.

HTV Cymru/Wales—As HTV West except: 12.00 Pob a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camgym. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Cen Gwlad. 11.15-12.15 am Where It Matters.

SCOTTISH

12.30 pm Gardening Today. 1.20 News and road and weather. 3.45 Mind Over Matter. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 11.30 Late Call. 11.35 George Hamilton IV.

SOUTHERN

1.20 pm Southern News. 2.45 Cricket: Kent v Sussex from Tunbridge Wells. 5.15 The Universe Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Vegas. 11.30 The London Nobody Knows.

TYNE TEES

9.20 The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Flying Kiwis. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 11.30 Our Next Step Beyond. 12.00 The Time of My Life.

ULSTER

1.20 pm Lunchtime. 3.45 Mind Over Matter. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Beyond ... 7.00 Emmerdale Farm. 10.29 Ulster weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Welcome Back Kotter. 10.31 Westward Late News. 11.30 Faith for Life. 11.35 West Country weather and shipping forecast.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 2.45 The Spoils of War. 3.45 Calendar Tuesday. 5.15 Bless Me, Father. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Pavilion Rock.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf
BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) *Stereophonic broadcast*

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 7.00 Talkabout. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF only—5.55-6.55 am and 11.15-12.55 am Open University.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). *12.00 John Dunn (S)*. 2.00 *pm* Ed Stewart (S). 4.00 Steve Jones (S). 5.45 News and Sport (S). 6.00 David Symonds (S). 8.00 Hubert Gregg (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 Funny You Should Ask. 10.30 The Spinners and Friends. 11.00 Brian Matthew. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 *Morning Concert (continued)*. 9.00 News. 9.05 This Week's Composer: Haydn (S). 10.00 Music for Piano Duet and Two Pianos (S). 11.00 Mozart at the Orangery (S). 12.05 pm Brahms: A Life in Songs and Violin Music, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Brahms, part 2 (S). 2.25 Finnish Radio Symphony Orchestra (S). 2.50 Harpsichord Recital (S). 3.25 Colonne Orchestra (S). 4.25 Jazz Today introduced by Charles Fox (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 *German Romantic Opera* with John Warrack. 7.30 Coull String Quartet (S). 8.00 Ozawa conducting the Philharmonic from The Royal Festival Hall, London, part 1 (S). 8.50 Bentley and the Clerihews. 9.10 Philharmonia Orchestra, part 2 (S). 10.05 Georg Philipp Telemann (S). 11.00 News. 11.05-11.15 Stanford part songs (S).

RADIO 4

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London Broadcasting

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Capital Radio

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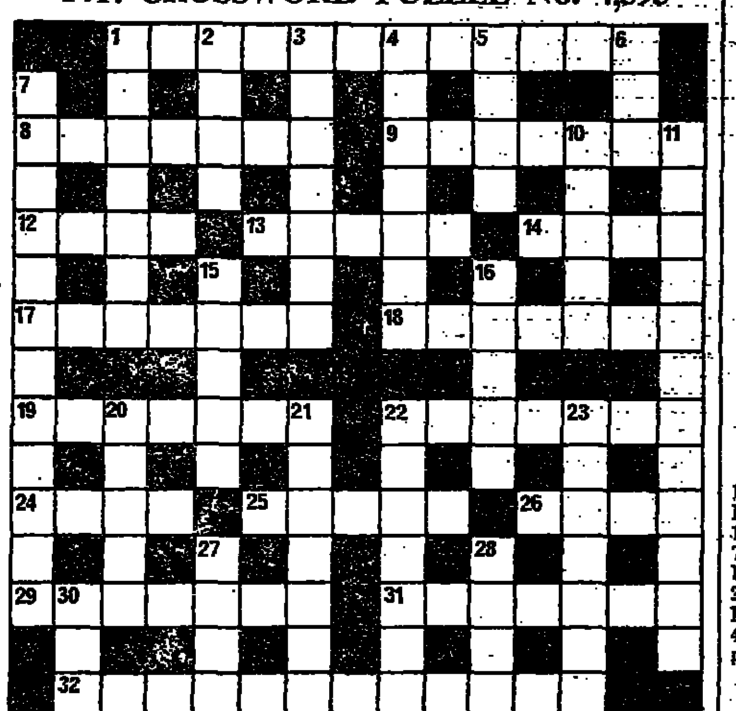
F.T. CROSSWORD PUZZLE No. 4,595



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10 Requirement without rent for the mass (7)
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23 Move involving royalty effected by black or white (7)
27 Play with stones? Be it on your head (4)
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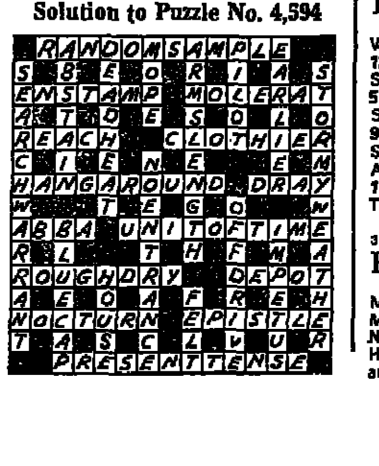
Solution to Puzzle No. 4,594



ENTERTAINMENT GUIDE

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... DE LA TOUR. ACTRESS OF THE YEAR Swet Awards '80. BEST ACTRESS New Standard Drama Awards '80. BEST PERFORMANCE BY AN ACTRESS 1980. Drama Awards and DAVID DE KEYSER BEST SUPPORTING ACTOR Drama Awards of the Year 1980 in TOM KEMPINSKI'S DUET FOR ONE. LAST SIX WEEKS.

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هكذا من الأصل

THE ARTS

"Le Stand de J. and P. Coats a l'Exposition Universelle de 1878" by Luigi Loir

Agnew/Hazlitt, Gooden and Fox

First fruits of the season

by DAVID PIPER

However reluctant in the open air, high summer and what was once called The Season declare themselves in the sheltered pleasances of the London art trade. Indeed, indoor harvest time. Most notably thus far, as far as past (though far from dead) art rather than contemporary work is concerned, two of the senior West End galleries, Agnew in Bond Street, Hazlitt, Gooden and Fox in Bury Street, St James's. Roy Strong will be looking at Objects for a Wunderkammer at Colnaghi's shortly.

Agnew's is typical traditional —*Life and Landscape in Britain* 1670-1870 (till July 31). Most of the great names are represented: only Hogarth and Constable being absent. The Gainsborough is a well-known late variation in his landscape with cattle and idyllic peasantry theme, most seductively and romantically rococo in feeling; Gainsborough is said to have swapped it for a violin, and it is worth a Strad. There is an early Reynolds of 1757 of one Mrs Jubb, direct and appealingly modest, contrasted with the very late (1789) Lord Vernon with a spectacular, shrewd and floridly embottled phiz. A very subtle young divine by Lawrence—almost understated, almost holy, not qualities generally characteristic of the brilliant celebrator of Regency society.

Two of the three Turners are new discoveries, fresh little studies of beech woods, and the third is one of his rare, extraordinary ventures into genre—*The Unpaid Bill, or the Dentist reproving his Son's Prodigality*. This was commissioned by the leading connoisseur and collector, Richard Payne Knight, as pendant to a Rembrandt (of the Holy Family) and according to a contemporary, specifically to illustrate the hair's-breadth difference between the "sublime" and the "ridiculous." It is a picture really for the art-historians, provocative of analysis and discussion, but it may be that the Rembrandt (now in the Rijksmuseum) does not mourn its divorce from its partner.

Nineteenth century offerings include two good seascapes by Callcott (recently revived by the pioneering little exhibition at the Tate); a rare and excellent oil by Lear at his most romantic, a vision of Venice, Sta. Maria della Salute awash as sunset cedes to the dusk. The Pre-Raphaelite vision is represented by an unpublished watercolour variant by Rossetti of his Christmas Carol image, glowing sultry ("Here a Maid, well-apparelled shall sing a song of Christ's birth with the Tune of Bululalow . . ."), and a brilliant little view of the Redentore, Venice again, seen from the garden, intense out of all proportion to its scale, by Inchbold.

At Agnew's also, as bonus, downstairs, one of the most remarkable of Italian baroque busts—the Monsignor Antonio Carri, by Algardi, marble empassioned with life and intelligence, destined for the Met. in New York unless Manchester can raise the £265,000 necessary by August 21.

One of the more unexpected attractions amongst Agnew's English landscapes is one of 1827 by the French-born J. J. Chalon, a delectable pastoral speaking more of Boucher or Fragonard than of Constable, and in Bury Street, Hazlitt, Gooden and Fox have returned to their favourite pastures across the Channel—*Nineteenth Century French Drawings* (till July 10). As usual, they seem to have turned over the items that have surfaced over the last 18 months or so with a deliberate indifference to the artists' names attached to the offerings, but a scrupulously sensitive eye to quality. The result is a display of small, domestic-scale, objects almost every one radiating pleasure like a good deed in a profoundly disappointing world, though the artists responsible for them range from well-known indeed famous figures (Géricault, Delacroix, Harpignies, Millet, Isabey and so on) to names upon whom even specialist art-historians might be hard put to to write three lines, but who, on the evidence of their quality shown here, one is astonished not to have seen, or anyway to have taken note of, before.

Also the works of the well-known tend not to provoke the response—ah, that's so and so—but rather a close scrutiny followed by a sense of shock that that is indeed by the artist it is said to be—and then, how nice it would be if he had done more like that. For example, both generally in the tradition of linear portrait drawings of which the Roman studies by Ingres are the classic and supreme statements, a young girl by Chassériau but now (1850) of a melting tenderness, and followed (1852) by an early unexpected pencil portrait of a young composer by the young Gustave Moreau, in which only the quality, the shiver in the drawing, anticipates the febrile, macabre intensity of the fin-de-siecle visions of the painter's more characteristic later work. The whole show is incidentally a justified celebration of the virtues of French training in the academic tradition, though I suspect a high proportion of them—and many certainly—are by artists early in their career, still inspired by the hard-won mastery of technique, and retaining a fresh originality, far from settling into a formula.

But the range is very wide. It opens with Percier and Fontaine, drawings of Roman subjects conceived for translation into line engraving, and distinguishable from engravings only by the fresh delicacy of their precision. One, a view showing two artists at work on a view of the Villa Albani from under an arcade where a fountain behaves, is as nice an image of 'World enough and time' as one could hope to find. There is a vivid, immensely powerful profile of an Italian girl with roses in her hair by Guillaume Bodinier, who lived (should you happen not to know) from 1795-1872: small, but with an almost monumental presence.

French forays into 19th century London are well represented: no Doré this time, but a fine Monnier study, about 1827 but of a subject at present most topical if already imbued with a unfragrant nostalgia of the past, the fish market at Billingsgate. There is a suitably lustrous watercolour by Lami of the Indian section of the 1851 exhibition, featuring a life-scale elephant with howdah, and for contrast, in Paris, at the Exposition Universelle of 1878, a meticulously but elegantly animated study of *Le stand de J. and P. Coats*—memento of a period when the British textile industry flourished and the Ferguslie Thread Works at Paisley could go to town abroad with a sort of gothic catafalque featuring an obelisk of multicoloured threads and a scale model ballon—and by one Luigi Loir, entirely new to me. Stenlen, Gavarni, Rops (at his most sinister, a lady called the absinthe drinker, with a profile as if of Herodia expectant of Salomé's entrance with John the Baptist's head on a platter). But again, drawings towards the end of the century by names little or entirely unknown—Bottini, Georges Dupuis, even Anon—but with an original individuality that one will not forget.

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Belgrade, Coventry

Risky City

by MICHAEL COVENEY

You could count the number of regional theatres currently offering any reflection of urban life and frustration on the fingers of one mutilated hand. Even in London the punk yelp is stifled and quietly directed to the Warehouse or the Theatre Upstairs where such noise is *de rigueur* and frightfully interesting for the assiduous theatre-goer.

No form book would have predicted the astonishing explosion now illuminating the Belgrade's main stage. The script is by Ron Hutchinson, the music performed by an unsettling, very loud rock group called The Wild Boys. There are six professional actors and a chorus of teenagers from the Belgrade Youth Theatre. This latter bunch is first seen at the top of a motorway segment that dominates Trudy Marklew's ingenious design. They come swooping down into a concrete jungle to intone a litany of complaints about living in Coventry. Horrible homes, no jobs. It is all as exciting "as watching a coffin lid warp." Someone will get kicked in tonight.

The action unfolds tantalisingly. A police officer, Tarbet (John Castle), is being interviewed by a doctor (Cecily Hobbs) about signs of trouble that night. Someone has died. The narrative jump-cuts to the police arriving in a tower block to interview a suspect. Downstage right, just by one of those hideous little lamps that fail to illuminate concrete promenades, the police knock at a door. Way above, on the motorway, a young couple — he white and unemployed, she black, pregnant and working at Tesco's — answer the questions. This is just one of many wonderful spatial experiments by the director, Michael Boyd.

Three boys are suspected and we gradually get to know them. In between, we have a reconstruction of the argument in a pub over a pint of over-heated, low calorie lager. The second lad is a sheet metal worker whose definition of a job is "doing what you don't like." By now we are given a clue as to why Mr Castle's hair is so white, his face so haggard. He himself is under pressure. After we see the victim laid out on a trolley, the third suspect is revealed to be his own son. The Wild Boys leap once more into their gleeful pneumatic drill routine: "Your lad's one of the boys."

The son, Ellis (David Moylan), takes over the stage to give Dad a history lesson. The city of the car has become the city of deserted carparks. There is nothing to do, nowhere exciting to go. Dad comes back strongly, lamenting the failure of the post-war dream, the city's loss of vision, but asking how long will it be before people start treating each other with respect. This kind of stuff is predictable in the Warehouse. In front of a young audience appreciative of the generation gap and arguments, and of all the local references, the effect is spell-binding.

The violent incident is now presented with the chilling beauty of an Agnes de Mille ballet in a 1940s musical. The dead boy is a symbol of the dead dream. Kids kick to prove they are alive. There is, however, nothing gratuitous or phoney about the play. It brims with passion and high spirits and is, quite obviously, one of the best new plays mounted in a regional theatre in recent months. It will shortly be broadcast on Radio 3 as part of the Radio Theatre '81 festival. It will be a lot poorer without Michael Boyd's splendid visual presentation.

Grand Theatre, Leeds

Der Freischutz

by MAX LOPPERT

The repertory of English National Opera North (soon, happily, to be known as Opera North) is being built up in careful, intelligent steps. The company now turns its attentions to Weber, introducing a youthful and exuberant opera ensemble to the delights of early German Romanticism. This new *Freischütz*, given in English and first seen in Leeds on Saturday, is in most respects a gratifying success—gratifying because of the way the producer Steven Pimlott and the designer John Fraser have kept faith with the requirements of the libretto (no fashionable "reinterpretation for our day," no modish re-jigging of plot or time and place), gratifying in the way the fresh virtues of the performance answered to so many of the work's demands.

There was a time, not so long ago, when the opera's picturesque incursions into the supernatural were held to be a stumbling-block for modern audiences. That this need not be so, and that the Wolf's Glen scene in particular can be played for all its worth without provoking a single titter, was proved to admiration. Two elements essential to Weber performances were here present—a springy, high-spirited delight in the musical invention, and an unpatronising willingness to take seriously both the cosy and the spine-chilling ingredients of the plot. The staging of the Wolf's Glen scene—marrying puppetry, abstract visual properties (the crag sides are made of cloth, which shivers and shakes at the height of the invocation), good lighting, and decent amplification of distant voices—presented an unanswerable argument for its dramatic vitality: it was enjoyable on all levels. The conductor, Clive Timms, has a strong sense of Weberian orchestral colour: all evening his presence in the pit was a vital factor.

The solid foundation of the performance was the singing and acting of the chorus — as ever with this company, inseparable functions. As in the ENON *Jenufa*, the sense of a living community (where such things as choruses of huntsmen or bridesmaids are the most natural activity in the world) proceeds directly from such unstinted involvement. Weber's demands are at their most pressing in the vocal solos; one was reminded of this most during Agathe's numbers, especially as the attractive young Norwegian Bente Marcussen (a valiant late replacement for Sally Burgess) evinced audible nervousness in supporting their long phrases. (The voice shows a real promise of filling out into just the right kind, warm and full.) On this level, the ENON *Freischütz* was hardly to be compared with glossier international combinations; yet the feeling of the evening was right in the way those of recent date at Covent Garden have not been.

Sandra Dugdale and Bente Marcussen

Robert Ferguson also has the right kind of voice, for the difficult between-weights tenor role of Max; if Mr Ferguson's top notes were sometimes unsteady and ill-tuned, his contribution was thoughtful, not merely glum, and never boneheaded as the worst sort of *Heldentenor* Max can be. Aennchen (Sandra Dugdale in delightful form) and Caspar (Malcolm Rivers) were both ENO visitors, both entirely unhackneyed — Mr Rivers, though his voice failed to sound the darkest note in the music, commands a striking presence, both vocal and physical, and his dialogue was delivered with an interesting compound of bluffness and menace. (Altogether, the standard of dialogue speaking was unusually good.) Apart from the Hermit, whose grave final pronouncements were underpowered, all the male contributions were worthy of the opera.

Festival Hall

Previn's Ravel

by DOMINIC GILL

There is a powerful Ravellian emphasis to André Previn's season of four concerts this month and next with the London Symphony Orchestra — and indeed his first and last programmes are devoted entirely to Ravel.

The opening concert on Sunday began with the orchestral version of the *Valses nobles et sentimentales* (originally, and famously, for piano). The *Valses* are one of Ravel's most technically adventurous, but not one of his most perfectly successful, transcriptions: the orchestral palette is so broad, and its colours are so bright, that without firmest and most lucid shaping the magical restraint of the original is lost. There is so much in the *Valses* which speaks between the lines, in half-voice. Previn laid on his colours with a trowel, in big, indulgent scoops: the result was a music-hall caricature, cocktail-lounge, Ravel, velvet, sparkling and sugar-spun.

In the piano concerto (two-handed) which followed, Cristina Ortiz was the soloist. It was an odd account: correct as far as it went, but peculiarly faceless, without any kind of distinct or original voice. The first movement was a scramble through the notes, efficiently negotiated; the adagio, subdued to the same treatment, but without the compensation of speed, emerged prosaic to a degree—unnuanced, unpointed, bland. The fun-piece finale went best: an impressive show-piece for Ortiz's well-trained fingers, sprightly rather than deft.

After the interval, Previn and the LSO gave us the ballet-music proper of Ravel's *Ma Mère l'Oye* (another transcription from piano)—the same score as the more familiar Suite, with an added *Prélude*, *Danse* and linking interludes. It was sweetly and unexceptionably played. They ended with *La Valse*, sprinkled by Previn with plenty of glitter and thunderflash, but tame under all its noise—without the relentless kick in the beat which, in the most exciting performances, so dizzies the rhythm, and the listener's senses.

Colchester stages

In *Theatre in Colchester* by Nicholas Butler (2 Rose Lane, Wivenhoe, Essex, £7.50, 105 pages) we read of the long history of theatre in Colchester from the Romans in AD 50 to today's fine Mercury Theatre. It's interestingly written, solidly researched and generously garnished with pictures. No index, alas. A worthwhile item for theatre historians.

B.A.Y.

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Tuesday June16 1981

Rallying the Cabinet

THE FULL economic meeting of the Cabinet tomorrow has been widely billed as a major review of economic strategy. It is, of course, no such thing; strategies are not altered by large groups of people meeting, quite largely unprepared, for a single day. This does not mean that it is unimportant. Its aim is to rally the Cabinet behind the strategy which was quite radically revised, to widespread dismay, in March and so improve the chances of pushing it through to a successful conclusion.

Neutrality

The meeting is well-timed from the Prime Minister's point of view. The sharp tightening of fiscal policy was denounced at the time as absurdly deflationary and even economically illiterate; but the succeeding three months have done more than any amount of argument to validate it. The threatened deflationary disasters have not followed; on the contrary, consumer spending and car sales in particular, have done better than expected. Thanks to this and to interest rates and exchange rates which make much better sense internationally, business confidence has swung from deep gloom to wary neutrality.

Meanwhile, there has been a sharp change in international opinion. The Bank for International Settlements in its annual report published yesterday urges a similar change of the balance of restraint on other governments, in order to avoid damaging international repercussions from excessive swings in interest rates and exchange values. In the U.S., the apparent fiscal risks being run by the new Administration have demoralised Wall Street. Powerful forces in Congress are beginning to argue that tax cuts of any real significance will only be possible when spending cuts are actually achieved.

Financial logic

This is the central message which will be put to the Cabinet tomorrow, in an attempt to steel Ministers for yet another round of programme cuts; but it is to be hoped that the exercise will not stop at this simple statement of financial logic. We very much doubt whether the political appeal of another few pence off the basic rate of income tax is nearly as strong as Conservative policy-makers seem to suppose. What electors most want is some confidence in the prospects for the real economy, and a rest from the perpetual accidents and crises of recent years.

The Government took the first vital step in March, when it recognised the need to pursue consistent financial and monetary objectives. There is also a growing hope in Whitehall that the agonies of the last two years of programme cutting have not been in vain, and that the fiscal performance this year may prove somewhat better than the very cautious forecasts made at the time of the Budget. However, if this is not to prove simply a happy accident after a series of unhappy ones, then at least as much attention should be directed to better public sector management as to programme cuts. This has always been a stated Government objective, but progress has been disappointing and—in the local government area—highly contentious.

If Ministers go home tomorrow more convinced of the potential rewards of the Government's present policies, they may devote more effort to management and less to fighting departmental rearguard actions, which would be a large gain. However, when it comes to detail, and indeed to the whole style of the exercise, the economic strategists in the Cabinet may have something to learn from their colleagues. The two obviously contentious areas at present are public sector investment and public sector pay.

Confrontation

Ministers may well feel that the present stance, which seems to involve confronting the public sector unions rigidly, while doing little to alter their basic organisational powers, is not the most rewarding for the long haul, even if it does win some publicity victories when unions are provoked to unpopular excesses.

There is also a strong wish to find ways to put idle resources to work in productive investment, if necessary in the public sector. As we have argued before, the public sector may well have a role here, at a time when international conditions may deter private investment even when domestic policies are in better balance, and we do not find the blanket objections advanced by Treasury Ministers convincing. Under proper ground rules and safeguards, Ministers could urge the Government to a more positive approach.

Mitterrand has the whip hand

PRESIDENT MITTERRAND has won a second battle in his campaign to gain mastery over the Communists. The Communist leader, M Georges Marchais, only received 15 per cent of the vote in the first round of the Presidential elections on April 26. His party did no better in Sunday's first round of the elections to the National Assembly.

The composition of the Assembly will only be decided in yet another ballot next Sunday. The large number of abstentions in the first round puts a question mark over the probable outcome, but the indications are that the Left will have a majority, and that the Communists will be very much junior partners.

Whatever other lessons can be drawn, the failure of M Marchais's leadership is evident. Having embraced Euro-Communism, he returned to a fairly orthodox pro-Moscow line in 1977. His manoeuvres were intended to ensure that his party should regain its traditional role as the main political haven of the working class. In that he has failed. Today's western Europe is infertile ground for old-fashioned Communism.

Social policy

Though the electoral pact which the Socialists concluded with the Communists for the Assembly elections noted certain convergences in social policy, M Mitterrand is not committed to giving the Communists any portfolios beyond his elastic assurance that the government should reflect the composition of the Assembly. Moreover, the agreement left no doubt that the parties differed on important foreign policy matters.

All going well for him on Sunday, M Mitterrand will have the whip hand in his dealings with the Communists. He may of course decide that including them in the government is the best way to keep them quiet—but he should be in a position to dictate the terms.

His position will be far weaker in dealing with the popular expectations aroused by the shift to the Left. A recent poll showed that 70 per cent of the people expected their living standard to rise under M Mitterrand's presidency. Those hopes will be hard to fulfil.

The President has promised more jobs, which will help little unless the people given work are employed productively. Early retirement, a 35-hour week and longer holidays will add to industry's costs without a guarantee that there will be compensating increases of output. Given the traditional influence of French Government over industry, the nationalisation programme may be less of a revolution than would appear at first sight. But to say so comes close to judging it as irrelevant.

Dangers

Taken overall, the economic programme amounts to a dash for growth, a phrase that does not arouse the happiest of memories. The inflationary dangers are evident. As it is, France already has an inflation rate of 12.5 per cent—but a testimony to the success of the previous regime.

Between the presidential and parliamentary elections M Mitterrand and the Cabinet of M Paul Mauroy have given a studied impression of moderation. Since it went down well, there must be a presumption that they will adhere to it. Key moderate Ministers are expected to stay in office.

One of them, M Jacques Delors, in charge of finance and economics, is on record with the statement that the programmes to reduce unemployment and social inequality must not conflict with the need to contain inflation and to maintain the competitive position of French industry. Politically he should be in a position to carry out these good intentions.

Influence

What we do not know is how united the Socialists will remain behind him, especially if they should achieve an absolute majority in the Assembly. But far greater doubt attaches to the Communists who may well reconsider their entire strategy. In spite of their electoral debacle, their influence on the shop floor remains strong through the CGT unions.

U.S. BANKING REFORM

Why the big money may not win

By David Lascelles in New York

A BIG battle is shaping up in the United States banking industry over the heated question of reform of banking regulations. It has pitted well-known international giants like Citicorp, Chase Manhattan, and Manufacturers Hanover Trust against small and even tiny regional banks.

The way things are going it looks as if the little banks will win the day, showing that political power in the U.S. can sometimes lie far from big money and the cities.

Yet though the banks' campaign is backed by huge financial muscle and the personal prestige of individuals like Mr Walter Wriston, the chairman of Citicorp, the largest bank in the U.S., it seems doomed to achieve very little, at least during this Administration. This is somewhat ironical given that President Reagan came to power promising to slash regulation.

The big banks' case is that archaic laws are costing the American banking public billions of dollars in inefficiency and are hurting the U.S. banks' international competitiveness.

Ten years ago eight of the world's 10 largest banks were American. Today, that number is a mere two.

The big banks are conducting an offensive on three fronts. They want to be able to compete freely for the American saver's dollar—a market estimated to be worth $1.3 trillion (million million)—they want to be able to open up branches throughout the U.S. and they want greater freedom to move into new business areas, like investment banking.

These issues have been bubbling for some time, of course, but they have been brought to a head recently by the tremendous upheavals that have been going on in the financial services business, largely as a result of technological advances and record high interest rates.

Electronic gadgetry is eroding the distinctions between banks, thrift institutions and credit card companies, while the growth of new-fangled investment vehicles like the money market mutual funds are undermining the traditional concept of a bank savings account.

But while pressures for change have mounted in the big "money centres" like New York, Chicago and California, these upheavals have had quite the opposite effect in the rest of the U.S. where thousands of small town banks are feeling increasingly threatened and are resisting change for all they are worth. Since they represent more than 90 per cent of the 14,000 banks in the country they have a considerable numerical impact in lobbying congressmen and state senators.

The big banks are also finding themselves tied down by the tangled mesh of the U.S. financial services industry where any change, however small, can trigger powerful reactions from well-organised lobbies like Wall Street (whose interests are quite different from the banks') the home loan industry, insurance, and, of course, the consumer who is bewildered by what is going on but senses that it will all be bad for him in the long run.

So far, Congress has only acted on one grievance—interest rate limitations—by passing a law last year which will allow banks to bid more aggressively for deposits. But otherwise seasoned observers in Washington doubt that much else will happen.

"The views of the larger banks may be prominent but they do not by any means reflect those of the entire banking community," said Mr Charles Partee, a governor of the Federal Reserve Board who takes a special interest in reform of the banking law. Therefore it seems quite improbable to me that there will be near-term legislation to reform the McFaden or Glass-Steagall acts."

On Capitol Hill, Sen. Jake Garn, the new Republican chairman of the Senate Banking Committee, has been holding hearings on bank reform. But though he has acknowledged the issues, he is not committed to legislative change. The Democrat-led House Banking Committee seems even less disposed to act.

The big banks' most pressing concern is interest rates which have been at or near record levels for a year, creating shocks for the banking system.

Commercial banks may pay only 5½ per cent on savings deposits, which puts them at a serious disadvantage vis-a-vis the new and highly popular money market funds which are paying three times that. True, banks can now offer better terms on some accounts. But the effect of this restriction has been to drain billions of dollars out of the banking system (possibly as much as half the $110bn now in the money funds), leaving the banking industry with a serious funding problem.

Last year's cumbersomely titled but significant Monetary Control and Depository Institutions Deregulation Act had a crack at this problem by providing for the phasing out by 1986 of Regulation "Q." But for many banks the problem is not in 1986 but now. They need to be able to compete with the money market funds today. On the other hand, the phasing out of Regulation Q is making it gradually more expensive for banks to acquire savings deposits at all (despite the attraction of the funds, some $400bn remains in savings for reasons that can have nothing to do with economics).

The banking industry won a number of local victories last year when state legislatures abolished or raised ceilings on the amount of interest banks could charge on consumer loans like mortgages, auto loans and personal credit.

The biggest political battles, though, will rage over reform of the McFadden and Glass-Steagall acts which impose the toughest constraints on commercial banks.

Some momentum for reform of McFadden came in the closing days of the Carter Administration when the White House produced a report acknowledging that McFadden was out of date and worked against the consumer's interest. It recommended a gradual phasing out of barriers to inter-state branch banking, starting with "natural" market areas, like the Greater New York metropolis which covers three states, New York, Connecticut and New Jersey. But that report has no status with the present Administration, and little going for it politically given that the small bank lobby is dead against it.

The small banks' principal fear is that any relexation of the ban on inter-state branching will free the giant money centre banks to gobble up the whole U.S. banking market, either by takeover or sheer muscle. The big banks, not surprisingly, have done their best to allay these fears. But nobody believes them. And it would be extremely naive to expect aggressive banks like Citicorp not to take the utmost advantage of any relexation—as they have already. All big banks have nationwide office networks to drum up commercial loan or consumer finance /business, but no deposit-taking retail branches outside their home states.

Some regulators say the prospect of a lucrative buy-out might in the long run persuade local "one-man" banks to agree to reform of McFadden, but that will be some time coming. There is also plenty of evidence that ordinary consumers nurse deep-rooted fears of big banks. Politically, there may be scope to permit "rescue" takeovers across state lines where the only alternative would be a bank collapse, but some legislative proposals were recently stalled by Congress. And any major move to scrap McFadden seems out of the question for the time being.

Similarly, the big banks' push for reform of Glass-Steagall seems unlikely to make much headway, despite the rumpus over the American Express-Shearson merger. That merger creates a new financial giant which will make big inroads into banking territory, but free of the shackles of bank regulation.

Unlike McFadden, where the original reasons for legislation have faded, many people still see good reason to preserve a firm distinction between commercial and investment banking, even though some countries in Europe manage to get along happily without one.

But this is at least one issue where the banking industry is fairly united: most banks which care about the issue would like to see Glass-Steagall abolished. But this time powerful resistance is coming from other financial service industries, notably Wall Street.

At hearings in the Senate Banking Committee early last month, the Securities Industry Association which represents Wall Street's interests, vigorously defended Glass-Steagall. Mr Ed O'Brien, the SIA's president, claimed abolition would threaten the stability of the banking system by raising conflicts of interest, by subjecting the investment banking community to "grossly unfair competition," and by leading to "an even greater concentration of financial resources in the hands of large money centre banks."

As with McFadden, the banks have found some loopholes (they have been allowed to act as agents for the sale of commercial paper, which is a form of short term debt, much to the fury of the SIA) and they are gunning for the right to underwrite certain types of municipal bonds. Many of them also have overseas subsidiaries which conduct investment banking business in foreign markets, so the expertise is "in house," so to speak. But barriers to the home market remain.

Bank regulators, like the Federal Reserve and the Comptroller of the Currency, generally favour reform because of the anomalies created by current law, and because of the strains it is undoubtedly imposing on some sectors of the banking industry.

Generally, they believe that reform of Glass-Steagall is the top priority because that would enable banks to offer a broader range of products and make fuller use of their resources. The geographical problem is considered to be less pressing because the concept of "bricks and mortar" branch banking is rapidly being overtaken anyway by electronic terminals and automatic funds transfers. Under a system being tested by Citibank, consumers need be no nearer their bank than their TV or telephone, which would be connected to the bank computer and could handle most of their banking needs.

The Reagan Administration has been quiet on the issue raised by banking reform, even though they would seem by any objective standard to be a prime example of regulation taken to extremes.

Pressure for change has also been somewhat blunted by doubts that a freer banking system would produce huge gains in efficiency. Data on this is scanty. But it is evident from earnings tables that profitability is greatest among banks with about $100m in assets—which is tiny compared to $100bn-plus like Bank of America.

Whether big banks could achieve this level of profitability if they were allowed freer access to the small bank market is a big unknown. Internationally, the U.S. banks compare badly on profitability leagues largely, they claim, because their cost structures are grossly distorted by U.S. banking law.

These handicaps seem set to remain, however, the catalyst for change may well be an emergency, the threatened collapse of a major bank, the choking off of finance to a politically sensitive segment like housing, or even new upheavals on Wall Street. All could persuade legislators to view the matter in a different perspective.

U.S. banks are subject to major legal constraints in their home market which the bigger among them want reformed or abolished. The main ones are:

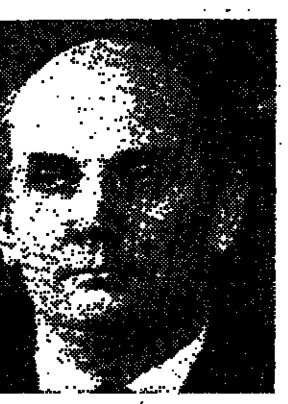
● REGULATION Q. A Federal Reserve regulation which limits the amount of interest banks can pay on savings deposits to 5½ per cent. This is well below the going rate for funds and is hampering the banks' ability to attract deposits, though it keeps down the cost of deposits for banks which already have them. A mechanism has already been installed, however, to phase Q out by 1986.

● THE MCFADDEN ACT of 1927 and the Douglas Amendment which prevent banks from opening branches outside their home state, and from acquiring banks in other states except in very special circumstances. These laws have prevented the development of nationwide banking, and have protected thousands of small local banks from competition.

● THE GLASS-STEAGALL ACT of 1933 which creates a dividing line between commercial and investment banking and bars banks from entering Wall Street's traditional territory of corporate securities underwriting, stockbroking and mutual funds.

CITICORP

CHASE



Senator Jake Garn, chairman of the Senate Banking Committee: He is not committed to legislative change on bank reform.

US BANKS: THE BIGGEST AND THE SMALLEST BY ASSETS

THE BIGGEST * assets as of 31/12/1980		THE SMALLEST † assets as of 30/6/1980	
Citicorp (New York)	$115bn	Swift County Bank (Benson, Minnesota)	$36,211
Bank-America (San Francisco)	$111.6bn	Dorsey State Bank (Abbeville, Georgia)	$906,000
Chase Manhattan (New York)	$76.2bn	Platte Centre Bank (Platte, Nebraska)	$1,073,000
Manufacturers Hanover (New York)	$55.5bn	Liberty Bank of Owasso (Owasso, Oklahoma)	$1,102,000
Morgan (J. P.) (New York)	$52bn	The First State Bank of Portis (Portis, Kansas)	$1,132,000

* Source: Business Week

† Source: Polk's World Bank Directory

MEN AND MATTERS

All the BIS President's men

A revolving presidency may be the solution adopted by the Bank for International Settlements in its quest to find a successor for retiring chief Jelle Zijlstra, doyen of the central banking circuit, is retiring at 62 from his job as head of the Dutch central bank, and with that relinquishes the BIS post which he has held since 1967. With no obvious favourites among possible contenders for the job, the BIS may decide to share the job around, with central bankers taking a three-year spell in the Settlements seat.

The BIS, run by the world's leading central banks, has a balance sheet now topping $50bn, and made a profit last year of $130m—or $400,000 per employee.

Of the possible successors to Zijlstra, Britain's Gordon Richardson, Belgium's Cecil de Strycker and Switzerland's Fritz Leutwiler are ruled out owing to impending retirements. Germany's Karl Otto Poehl, much as he might like the job, cannot be expected to land it because a fellow-German, former Bundesbank man Guenther Schleiminger, is already the BIS general manager.

France's Renaud de la Geniere is also an unlikely candidate, since his future with the new Government in Paris may be uncertain. Italy's Carlo Ciampi does not speak enough languages and Zijlstra's successor in Amsterdam, Willem Duisenberg may, at 45, be thought too young for this elder statesman's post.

Zijlstra, meanwhile, bowed out from his last BIS meeting yesterday with an emotion-charged farewell press conference. As a parting gift, the softly-spoken Dutchman told rapturous journalists that, for the first time in living memory, he could be quoted on the record rather than according to the traditionally oblique formula whereby his thoughts were transmitted as the opinions of "European monetary sources."

Stock response

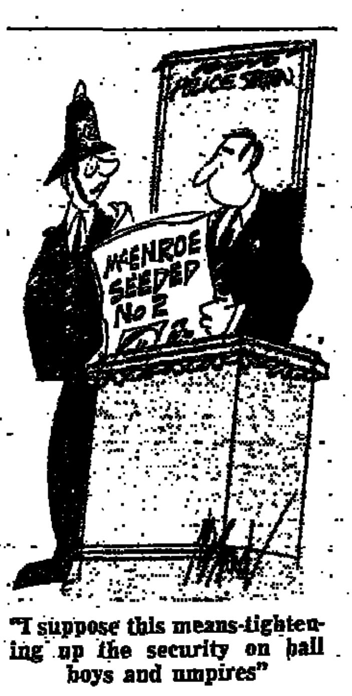
Stockbrokers are famous for their strong stomachs and hard heads, but even some of the toughest cases suffer from moments of queasiness. A reader from one of the City's most business-like partnerships found he drew the line at a Guide Line pamphlet on new technology, currently being distributed by Save and Prosper's financial services division.

In an attempt to persuade the sceptical that word processors can actually improve, as opposed to lessen, human contact, an S and P consultant admiringly quotes a VDU user who stores on his equipment detailed CV's and constantly updated "snippets of information and gossip" about his clients.

The mechanics of intimacy work like this: "The average letter to a client contains an initial standard paragraph about political and economic events and then another about the FT index . . . Then if the account executive sees on the VDU that the cilent has ICI and Courtaulds, which have recently reported, he can punch in standard paragraphs on each of these two.

"Finally there will be a paragraph based on the CV which belongs personally to the client —about Little Johnny at Winchester, their holiday in the Seychelles, or whatever.".

The human cost of this personal service is minimal. "The whole letter," it is proudly reported, "can be completed in two minutes."



"I suppose this means tightening up the security on ball boys and umpires"

Sporran partner

Those who, like my Management Page colleagues, believe that we have much to learn from the Japanese, will be delighted to learn of the enterprise displayed by a Scottish pipe band, which has requested scores for a medley of popular Japanese songs to add to its waiting repertoire.

For the Japanese, already quite keen on the liquids originating in the vicinity of Speyside, are to drink still deeper of Scottish culture. A car firm has decided to sponsor, to the tune of £5,000 a year, the 14 pipers and six drummers of what will now be known as the Toyota Pipes and Drums.

The band will compete in Highland games under the sign of the rising sun, and will also tour Japan, where it will assist with Scotch whisky promotion.

The band had previously been sponsored by a Scottish brewery. When that lapsed, explains secretary Bill Brown, it was turned down by eight British firms before striking lucky with Toyota.

Under fire

Anti-tobacco pressure group Action on Smoking and Health is hoping to smoke out some detailed information from cigarette giant B.A.T. Industries at what promises to be a king-sized annual meeting for the group tomorrow.

Ash, on the strength of its one share in the company, will be rolling up to set the room alight with a seven-point catechism for Sir Peter Macadam's men. It wants to know the group's plans for any diversification out of tobacco; its views on sponsorship, and on medical opinion regarding damage to health from smoking; whether the group is selling hard into developing countries; about what Ash claims is the entertainment of civil servants at company expense; and whether the company fears itself liable to lawsuits from cancerous customers.

Ad nauseam

Breakfast has been a spicy affair in the last few weeks for the Leftist intellectuals in Denmark whose favoured reading is the daily newspaper, Information.

Over the Danish pastries and roll-mop herring, they have been at liberty to choose between the competing services of Voluptuous Anne, Silky-soft Athena, Hot Charlotte, Versatile Jimie, and Sexy Susie, each anxious to demonstrate that her accomplishments in the field of "intimate massage" are second to none.

The natural habitat of this colourful breed is the tabloid paper Ekstrabladet, whose readers and writers share a keen appreciation of brazen sex. But when a typographers' strike at Ekstrabladet and 32 other Danish papers, the ladies of the night decided to offer round their smorgasbroed of erotic opportunity elsewhere. The consensus was for half a page in Information.

Statistics are not readily available on the enthusiasm shown by Information's readers for their new friends, or indeed, how strongly the taste, once acquired, will persist when the expected typographers' settlement brings Ekstrabladet back tomorrow.

Observer

FINANCIAL TIMES SURVEY
Tuesday June 16 1981

United States Finance and Investment

The U.S. financial scene is rich in long-term promise, but its immediate future is less than rosy. If the Reagan Administration can bring the Federal Budget under control, cut inflation and prove its commitment to cut taxation, then prospects will be very bright indeed.

Economy remains world's richest

By David Lascelles
New York Correspondent

IT MUST be more than a decade since the U.S. financial scene was so rich in promise in the long run, but when the immediate road ahead looked so rocky.

If President Reagan really succeeds in his determination to cut taxes, reduce federal spending and balance the budget, it is not hard to foresee a radical switch in the U.S. economic climate from the gloom and demoralisation that have characterised it for many years, to the revitalisation that Wall Street and the whole business community yearn for.

But as the recent collapse on Wall Street has shown, the habits of scepticism are deeply ingrained after the bitter disappointments of the late 1970s and it is clearly going to take more than an appealing notion of supply-side economics to get things moving.

What the U.S. financial and business world is looking for is results—specifically signs that the Federal Budget really is being brought under control, that the underlying rate of inflation is coming down in a cyclical, not just seasonal way, and that there is a lasting political commitment in Washington to cutting taxation and getting government off the backs of business.

Should these results start emerging, the sky might well be the limit. The U.S. economy is still by far the richest in the world, the spirit of competition is fierce, innovation thrives, and now that the energy problem has been brought under control, the resource base is good too.

As events like Proposition 13 have shown, there is also a healthy impatience with big government — for which Mr Reagan can in large part thank his own election victory. Small wonder that bullish types talk of the Dow Jones industrial average not just doubling but trebling by the mid-1980s.

But the lure of gain also carries its potential cost. In this case, the failure of the Reagan Administration to bring about change could be deeply demoralising. It would suggest that even with everything going for him, the most conservative and pro-business president in recent memory must be deemed powerless in the face of the U.S.'s mighty problems. There is also a danger that his budget-slashing exercise could provoke a powerful backlash among the socially disadvantaged, cramping his room for manoeuvre.

If so, the notion would be bound to gain hold that the U.S. has "peaked out" and has started on the road to economic decay—just like another country with which it has a morbid fascination, Britain.

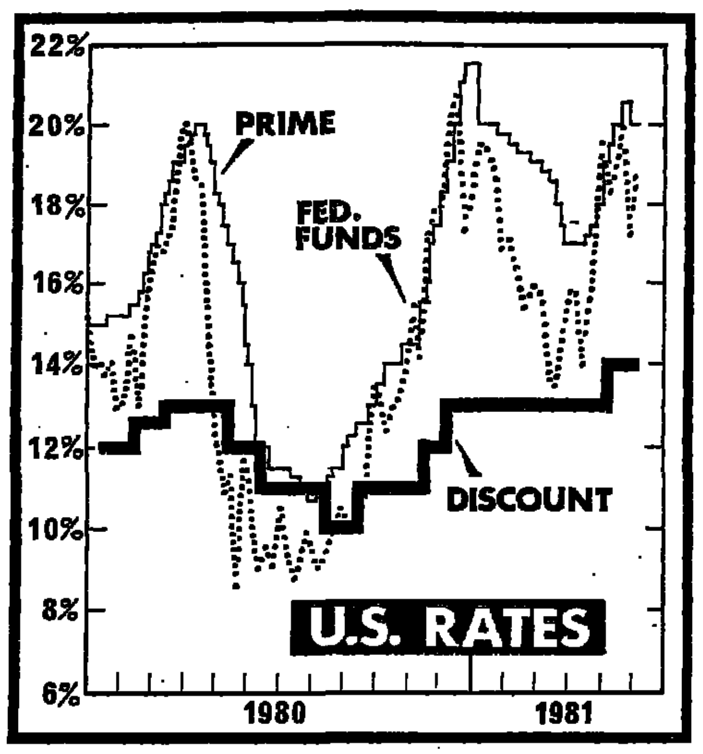
In fact, by most standards of the Western world, the U.S.'s problems are not that serious. But they are perceived to be so, and that to all intents and purposes makes them so.

Economic growth has been strong for several years (apart from a sharp but brief interruption exactly a year ago). The underlying rate of inflation is below 10 per cent, and falling (in its latest forecast, Morgan Guaranty sees inflation of only 7¼ per cent over the next 12 months). Oil consumption has fallen through the floor, helping the balance of payments in the process. Following a sharp 1 per cent jump in the second quarter of last year, unemployment has been steady at 7.5 per cent, while the number of employed has shown an encouraging increase.

High interest

Foreign investment, usually a good barometer of a country's economic health, continues at a high level, confounding an American public which has been gorging itself on books with titles like "how to survive the coming financial crisis." This inflow, like the dollar's strength, is due partly to high U.S. interest rates. But much investment is also being undertaken with a long-term view.

But rather than focus on these positive signs (which show if not a robust economy, at least one with some healthy symptoms) the U.S. business and financial world has become deeply concerned, almost to the point of obsession, with bad news. High on the list of their worries, of course, is inflation, which showed a gain of exactly 10 per cent in the 12 months up to last April.



Responding to the intensity of public and political concern about this problem, the Federal Reserve has kept a vice-like grip on credit for the past 18 months which has pushed interest rates up to record levels. The prime rate hit 21½ per cent last Christmas, and almost touched that level again last month. Long-term corporate borrowing costs rose into the upper teens and even the Government was paying 14 per cent for long-term funds.

The Fed has come under fire for the volatility of U.S. interest rates, but this is an inevitable result of its money supply strategy which is based on controlling the growth of bank reserves rather than the cost of money—and on this it has been quite successful. The volatility has, however, forced Wall Street to build an extra cushion of maybe 2 per cent into interest rates to protect itself.

This has pushed all the action into the short-term markets where business has led a hand-to-mouth existence on bank borrowings, while individuals have reaped a bonanza investing in high yield money market funds. The result, though, has been a deterioration of balance sheets which will take years to repair, even if interest rates come down soon.

Meanwhile, sky-high interest rates increase the risk of an economic slowdown, if not a recession, later this year.

In the corporate world, there has also been an obsession with declining productivity, over-regulation by government, and cheap imports: three ills that are closely related. Industry has mounted an intense lobbying campaign for relief which has been partially successful. The Japanese are voluntarily limiting car exports, but the steel industry failed to pin dumping charges on European producers.

The Reagan Administration is also deeply committed to rolling back the burden of government regulation—and has already taken steps in that direction.

The serious state of the motor and housing industries, both victims of high interest rates, have also served to highlight the economy's ills. But it is worth noting that even though both continue to be in the doldrums, GNP rose at a tremendous 8.4 per cent annual rate in the first quarter of this year, a sign of the declining importance of those two sectors in the economy as a whole as they yield to new industries like high technology, services and energy.

But harassed though it feels the U.S. industrial world is strikingly more optimistic about Reaganism than Wall Street, even though Mr Reagan seems to be backtracking on some of the tax breaks he promised to business. The captains of industry talk of "new eras" dawning when the U.S. will regain its rightful position at the top of the industrial world largely because of the greater freedom that Reaganism promises. Wall Street, by contrast, ranges from concerned to downright pessimistic.

The collapse in the credit markets this spring was caused largely by fears that President Reagan would fail to push through a balanced budget, and that his plan would only fuel the inflationary fires. Those fears have abated somewhat now that the White House has shown a willingness to scale back the tax cuts it originally asked for.

Not optimistic

But the gloomy gurus who have gained enormous followings through their ability to make sense of these bewildering times, still see no reason for long-term optimism. They do not think that the back of inflation has been broken, and they doubt that government spending can be brought under control.

Dr Albert Wojnilower, chief economist at First Boston, the Wall Street investment firm, who believes that interest rates still have little place to go but up, warned in a recent speech that one of the greatest dangers confronting the U.S. was that it would lull itself into a belief that Reaganism would provide solutions, when only compromises were possible. "Stamp out nostalgia," he cried, "because there is no way back to that world where the U.S., for a blessed moment, enjoyed freedom from fear."

The U.S. is passing through a trauma that has taught it how vulnerable it has become to forces beyond its control like Opec, Japanese car makers and foreign bankers who seem to be gobbling up assets all round the country. Whether Reaganism has some of the answers will emerge over the next couple of years, and there is a lot riding on him.

It is probably a good thing that the U.S. has acquired a President with a sense of drama since the task facing him is as much to create a new mood in the country as push through an economic package based on largely untested principles.

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Reagan magic has more tests to face

POLITICS
JUREK MARTIN
U.S. Editor

IT IS an open question now whether President Ronald Reagan will be able to continue to work the magic that transformed the political scene in the first three months of his term in office.

That the Congress of the U.S., a source of profound frustration for President Carter for four years, should so blithely accept a radical budget cutting exercise is extraordinary enough in itself. That it should do so for a Republican President while one of its chambers, the House of Representatives, is still controlled by the Democratic Party, ought to have defied belief.

There are three main reasons for what has happened so far —the stature of the President himself, enhanced as it undoubtedly was by the attempt on his life, the nature of the electoral mandate that he won last November, and the state of the Democratic Party.

It is entirely natural for any incoming President to inherit a degree of good will. Given the palpable national unease about the state of the country evident in recent years, both the public and the body politic want the President to succeed, even if the medicines he proposes are not particularly palatable.

When, four years before, President Carter had declared the moral equivalent of war on excess energy consumption, the general tendency was to applaud the courage of his approach; it was only later that the consensus fell apart over how the miracle was to be achieved.

The initial Reagan focus was on the economy and his troops, marshalled by Mr David Stockman, the budget director, entered the fray well prepared. But Mr Stockman's computer printouts of where to cut spending would have been useless without the singular political talents of the chief executive in selling programmes. Mr Reagan himself is not an architect of policy, he is, in the current jargon, the supreme communicator, good at translating the complex into homespun terms.

This was never better illustrated when, a month after the assassination attempt, he went up to Capitol Hill, to a predictably rapturous reception, to argue for acceptance of his budget proposals. It was a masterfully timed and masterfully delivered performance; it ended, if by then there was much doubt, such organised dissent as existed.

So far, so good. But cutting spending is but the first of a four-pronged economic strategy, along with substantial tax reduction, firm control over the money supply and a wholesale onslaught on government regulation. It has also proved, somewhat to the surprise of political experts, the most popular element to date.

Some of Mr Reagan's more fervent supporters believe that his electoral mandate last year empowered him to do all the things he wanted. In fact, it appears as though Congress reads his mandate in a more limited way: to get at government spending but not necessarily to permit him to set economic policy management on an irreversible, doctrinaire path from which there is to be but minimal deviation.

It is nonetheless noteworthy that Congress should have departed from form in preferring spending cuts to tax reductions. This reflects a great nervousness, particularly on the part of the Democrats, in being seen to defy the will of the people.

Unpopular

Government and many of its programmes are currently unpopular in the country; more to the point, the balance of political power in the nation has shifted away from the older northern industrialised states, many of whose inhabitants have benefited most from government spending over the years, to the burgeoning Sunbelt region, whose distance from Washington is as much philosphical as geographical.

Thus, in the budget crunch, more than 60 Democrats in the House of Representatives deserted their party leadership and voted for the bipartisan bill the administration supported. Almost all the defectors were from south or west of the Mason-Dixon line; all must be classified as conservative Democrats.

The Democratic Party itself, badly bruised last November through loss, not merely of the presidency but, more important, of control of the Senate, lacks clear direction at present.

It has no titular head; President Carter, whom many Democrats blame for last year's debacle, has disappeared virtually from sight, leaving no heir apparent. Former Vice President Walter Mondale, for all his personal popularity, lacks a formal platform at present; Senator Edward Kennedy's brand of liberalism was shown out of step with the climate of the times. The party does not lack for pretenders, but none has yet established much of a personal following so far.

Many senior Democrats frankly believe that, rather than develop a coherent alternative to President Reagan's conservatism, the party should allow the President to have his way, convinced that his policies will fail in any case, thus reviving their own party.

This may be a tenable long term strategy, but it does not help much in all the tactical battles that are to be fought on economic and foreign policy. Specifically, it has meant that the leadership in the Congress has been seen to be wanting.

The speaker of the house, the venerable Mr "Tip" O'Neill, seems to have lost his taste for political wars; in the Senate, Mr. Robert Byrd's talents were always of a technical rather than an inspirational quality; and, without doubt, many democratic senators and congressmen are currently scared that the promised well financed onslaught of the "new right" conservatives in next year's mid-term elections may succeed and that it would be ill advised in the intervening period to provide this unscrupulous opposition with too much ammunition.

But all this does not mean that the Reagan Administration is guaranteed plain sailing, politically. Perhaps the greatest danger facing the administration is over-confidence. It has already shown tendencies to go too far, too fast, as when, for example, it was so emboldened by its success on the budget that is proposed wholesale surgery on the social security system.

Although bereft of alternative proposals to restore the system to financial viability, the Democrats were able to seize on the very radical nature of the President's proposals as a point of unity against them.

Similar stirrings are evident on the question of tax reduction. Mr Reagan's slightly modified version of the old Kemp Roth Bill, mandating a three-year, 10 per cent per annum tax cut, strikes deep at the traditional Congressional prerogative over taxes.

Given the great uncertainty that exists today over the state, and therefore the needs, of the economy, many in Congress have wondered about the wisdom of locking the country into inflexible policies for a protracted period, particularly when they appear to be based on economic premises that have little, if any, historical precedent of success. The word "compromise" is in the air, and its speakers include Republicans as well as Democrats.

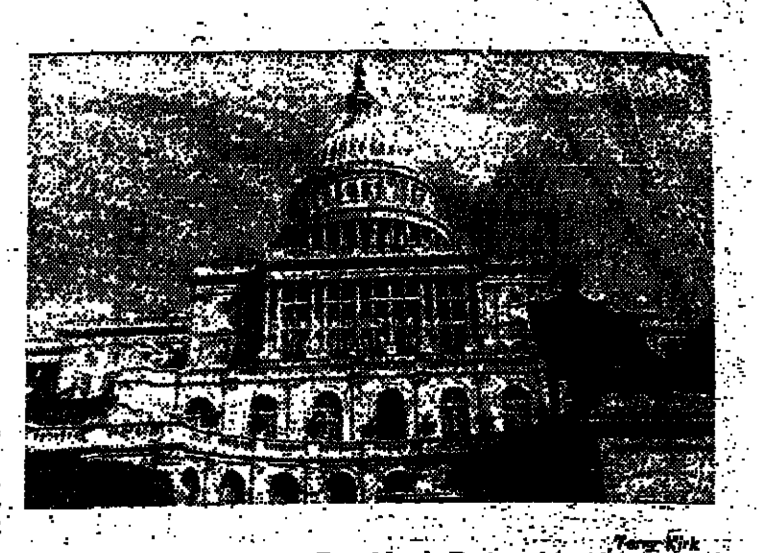
Foreign problems

The same potential problems exist in certain areas of foreign policy. The Administration has already found it difficult to persuade Congress that the future of the free world hinges on the U.S. making a stand in El Salvador or selling advanced radar warning aircraft to Saudi Arabia.

That Congress is inclined to be more belligerent is not in dispute—as witnessed by the general acceptance of the President's proposals substantially to increase defence spending—but it has not yet reached the point where the legislature is ready to offer the chief executive carte blanche in every corner of the globe. Again, the Administration could be hoist on the petard of its own over-confidence.

These are clouds on the horizon, not yet overcome. In taking a longer-term view, much depends on the outcome of next year's mid-term elections; the Democrats are vulnerable in 1982 because 21 of the 33 seats to be contested in the Senate are held by them, and reapportionment threatens some safe districts in the house.

If, 18 months from now, Ronald Reagan finds himself with his own popularity unimpaired, the economy improving and his party running both houses of Congress, then it will be legitimate to speculate on radical change in the American political system. Those, however, are very large unanswered questions.



Terry Kirk
The Capitol, where President Reagan's masterful performance carried his Budget proposals

Businessmen's honeymoon over

TAX AND THE BUDGET
DAVID BUCHAN
Washington Correspondent

BUSINESS WAS convinced after the November 1980 election and still generally believes, that it has found a friend in Ronald Reagan. But the misty-eyed honeymoon has begun to wear off as it has become clear that the President is a populist, more interested in Main Street —where the votes are—than Wall Street.

Four elements make up the ambitious Reagan economic programme: tax cuts, public spending cuts, a tighter money policy via the Federal Reserve and less Government regulation of the private sector. Only on the last has the response of the U.S. business community been whole-hearted applause.

It has welcomed the Administration's promise to reduce regulation of exports and exporters, to clarify the ambiguities of the foreign anti-bribery law, to freeze the promulgation of new safety and environmental rules and to scrap some of the old ones. The car industry has substantially benefited from the postponement of certain emission controls.

Doubts

The businessmen's doubts have crept in with the other elements of the Reagan policy. Roller-coasting interest rates have made life very difficult in the first half-year of the Reagan Administration. Yet part of the problem is seen as stemming from the fact that the Administration has left all the initial running in the anti-inflation fight to the Federal Reserve Board.

Of course, this is largely because of the protracted time it takes any U.S. administration to get any budget or tax changes through the Congress. The Reagan Administration argues that very shortly the big spending and tax cuts it intends to force through on Capitol Hill will dramatically change expectations about inflation and put the economy back on the road to sustained recovery.

But that is still all in the Capitol Hill melting pot. The final outcome will not be clear until mid-summer or early autumn, when the 1981-82 Budget is signed into law and President Reagan has a tax bill on his Oval Office desk.

So far, Mr. Reagan has been outstandingly successful on his budget cuts. His long-term plan, laid out in February, is to reduce the share of federal outlays in the gross national product from 23 per cent this year to 19 per cent in 1985-86. In the shorter term, he has pushed for around $50bn in cuts in 1981-82 from what had been proposed by former President Carter.

In May he won an initial commitment from Congress to do this, with a surprisingly large margin in the Democrat-controlled House of Representatives. The fact that his plan calls for a massive switch of money from domestic welfare and social programmes into national defence caused a deep split in the opposition Democrats, liberals bitterly resenting the social cuts but conservatives in the Democratic Party so attracted by the Reagan philosophy that they deserted to the President in dozens.

Part of the success in the budget-cutting battle stemmed from the fact that Mr. Reagan carefully balanced his social programme cuts in, for instance, urban aid and food stamps for the poor, with a swipe at big business.

One of the deepest individual cuts affected the U.S. Export-Import Bank, which the Reagan Administration argued had been giving far too much export help to a tiny number of large corporations, like Westinghouse, Boeing and General Electric, which did not need cheap credit assistance.

There are in any case two major caveats that must be entered in a mid-stream judgment of the Reagan budget plan. The first is that its success, according to Mr David Stockman, the demonically enthusiastic parer of public spending who holds the job of budget director, partly depends on cuts in the social security pension system, accounting for no less than 23 per cent of the whole budget. The Administration proposed, belatedly in mid-May, cuts in pension benefits that would reduce the budget deficit by some $9bn in 1981-82 and much more in later years. It was, however, ignominiously rebuffed with the Republican controlled Senate going on record unanimously opposing the pension cuts.

The second and more general caveat is that Congress has yet to write into law all the budget cuts. What it has done is merely to make an initial commitment which could quite possibly come unstuck this summer. Aware of some Democrats' intentions to achieve precisely this, the White House has been warning against "deliberate sabotage" of its earlier budget victory.

Tub thumping

The budget cuts have made great sense to the many fiscal conservatives in the Republican Party and those of them that sit on the Democratic side of the aisle. They have tub-thumped for years that the Federal Government should live within its means and that deficits should be closed.

It has therefore been with a certain anxiety they have viewed Mr Reagans tax-cutting plans, seeming to open up only the prospect of bigger, not smaller, deficits and what that would entail in terms of the Government crowding private borrowers out of the credit markets, and of course inflation.

It has been hard for many to swallow the pure "supply side" theory of the neo-conservative economists in the Reagan Budget Office and Treasury: that lower tax rates can produce a higher tax revenue for the Government, not a smaller one, since more economic activity is automatically generated. Even under the Reagan forecasts this would not put the budget into balance until 1984, the last year of a Reagan first term.

In the interim, what is to guarantee that the tax relief does not just end up in consumer demand rather than increased savings, investment and work incentive?

Because of these doubts, President Reagan is in for a much tougher battle on his tax plans than he has so far met on the spending cuts. Nonetheless, he is holding out for a three year cut in income tax rates, because he belives it important for business and individuals to have that sort of time span in which to make their plans with certainty about taxes.

However, in early June he made two key concessions to assuage the concerns about budget deficits and to attract conservative Democrats:

- A 25 per cent income tax cut over three years, with an initial reduction this October of 5 per cent, and not 10 per cent as he had first suggested.
- A scaling back of the depreciation improvements for businesses making new capital investment. This would save companies $122bn in tax over the next six years, instead of the $170bn in the original plan.

The business community has reacted with some dismay to this, since the Reagan tax plan was already heavily weighted towards individual tax relief and the latest changes only accentuate that. A spokesman for the U.S. Chamber of Commerce even called it "a breach of faith with the business community."

The plan to accelerate depreciation originally would have permitted investment in new vehicles to be written off against tax in three years, equipment over five years, and fixed plant over 10 years. The last category has now been shifted to 15 years.

However, it should not be unwelcome to the investment community that President Reagan is now supporting a reduction in the top rate on unearned income from 70 per cent to 50. Ironically, Mr Reagan had first rebuffed this suggestion on the grounds that it smacked too much of a help-the-rich measure, and only adopted it after the Democrats suggested it.

Despite these modifications, the Reagan Administration is still prepared for very sizeable deficits—$60bn in the current year and at least $45bn, even under its most optimistic assumptions.

Some Democrats have developed a conspiracy theory: that Mr Reagan actually wants the sort of deficits that will make it impossible for Congress not to go on cutting public spending in years to come, and thus keep reducing the size of the Federal Government he dislikes.

President's plan to get the country back to work

REGULATIONS

PAUL BETTS
New York Staff

"WE MUST get this country back to work." That was perhaps one of the most familiar refrains in President Ronald Reagan's election campaign. Since he took office at the end of January, he has continued to sing that tune with increasing vigour.

Throughout his campaign and during his first five months in the White House, President Reagan has put at the top of *his list of priorities the entire* question of the effects of government regulations on industry and the economy. He has made no secret of his distaste for the current climate of regulations besetting the U.S.

"Government regulations impose an enormous burden on *large and small business* in America, discourage productivity, and contribute substantially to our current economic woes. It is my intention to curb the size and influence of the federal establishment."

In his budget address, President Reagan went on to say that the U.S. had experienced a virtual explosion in government regulations during the past decade.

For the new Administration, greatly accelerating the process of deregulation started under President Gerald Ford and continued under President Jimmy Carter is an essential part of the Reagan economic recovery programme.

It is one of the five basic prescriptions, including cutting back individual taxes, reductions in corporate taxes, predictable, steady control of the money supply, restraint in government spending, which forms the basis of the Republican Administration's economic package. So far, the Administration appears to be well advanced—far more than in the other key ingredients of its economic programme—in removing the shackles off U.S. business by deregulating American industry.

Mr. Murray Weidenbaum, chairman of the council of economic advisers and a leading figure in the Administration's new approach to the question of regulation, recently told congress that the Government's programme of regulatory relief *had already yielded billions of* dollars in savings. He said more than 100 separate reform measures had been taken so far and that these were "only scratching the surface."

Getting to grips

The basis of the Government's new approach is contained in draft legislation seeking to force independent federal agencies to put any proposed new regulations to the test of whether benefits exceed costs. Mr. Reagan has emphasised that he has no intention of dismantling the regulatory agencies, especially those necessary to protect the environment and to assure the public health and safety. But he has emphasised just as forcefully that "we must come to grips with inefficient and burdensome regulations—eliminate those we can and reform the others."

Mr. George Bush, the Vice-President, also warned that there would be "an awful lot of changes" in existing regulations *merely to comply with the new* requirement of cost-benefit analyses of rules and selection of the most cost-effective solution.

In his first five months in office, President Reagan has moved on a variety of fronts in *implementing his new approach* to government regulations. One of his first steps was to set up a task force on regulatory relief under Vice-President Bush.

Its main purpose, somewhat delayed by the assassination attempt on President Reagan, is to review major regulatory proposals by executive branch agencies, especially those proposals that would appear to have major policy significance or where there is overlapping jurisdiction among agencies. At the same time, the task force is assessing regulations already on the books, especially those that are deemed to be burdensome to the economy or key industrial sectors.

In specific sectors, the *Administration* has already scrapped all existing controls on domestic crude oil and petrol prices which, under President Carter's schedule, were due to be gradually eliminated over the next eight months. Other proposals in the energy field *include the controversial* deregulation of domestic gas prices, which is likely to face tough opposition, a cut back in restrictions to make public lands more available to exploration and development, and less rigid environmental constraints on open cast mining.

Early in April, the Administration also announced a package designed to ease regulations on vehicles which it claims could save the country's troubled motor industry as much as $1.4bn over the next five years.

The measures include delays in rules involving seat belts in cars, relaxation in certain federally mandated design specifications like rear bumpers, and delays in the installation of improved emission standards.

To ease the burden of regulations on industry in general, the Administration is also proposing to liberalise existing environmental rules by introducing less restrictive regulations on air pollution in new industrial development, waiving certain standards for older, uneconomic plants, and avoiding unnecessary detail in specifications for anti-pollution equipment.

Moreover, the Administration has frozen more than 100 business regulations promulgated by the Carter administration in its last days.

President Reagan, in one of his first actions after taking over in January, was to abolish the council on wage and price stability—and the apparatus for the president to reimpose wage and price controls.

Significantly, too, great change is also taking place within the various government or independent agencies themselves. In putting together his new team of regulators, President Reagan seems to have followed the advice of one of his favourite presidents, Calvin Coolidge, who back in the 1920s said that "the business of America is business." Most of the figures appointed by the new Administration to head the regulatory agencies have been drawn from the industries they will regulate.

The Administration has also criticised the Federal Communications Commission and the Securities and Exchange Commission for interfering in the past with business.

Pressing ahead

Elsewhere, Mr Drew Lewis, the Transport Secretary, said at the end of May he would push for a swift dismantling of the Civil Aeronautics Board and elimination of federal grants to the country's largest airports. His message was that the Reagan Administration would press ahead with even faster deregulation of the airline industry which started with the airline deregulation act of 1978 and has so far been the most sweeping of all deregulatory efforts attempted so far in the U.S.

Business and industry have responded with broad enthusiasm over the Reagan Administration's approach on regulations but some of the proposals are already facing a storm of opposition.

Many Democrats, environmentalists and several other independent public groups have been deeply disturbed by some of the proposed changes in the regulatory climate, even within certain business sectors, there are divisions. The lorry drivers, for example, who enjoyed decades of price regulations, were deeply opposed to the deregulation of their industry under President Carter.

The bankers are now divided over the abolition of existing barriers preventing inter-state banking with the small banks fearing that they will be at competitive disadvantage against the large institutions.

Then there are the sceptics. They claim that President Reagan has perhaps underestimated the enormity of the task he has set himself. As one industrialist put it: "taking on government bureaucracy is a bit like taking on a stubborn and unmovable prehistoric monster."

Currency left to find its own level

THE DOLLAR

DAVID BUCHAN

ON BOTH sides of the Atlantic *there was a fragile hope at the* end of May that U.S. interest rates might have peaked and begun at least a temporary descent from the 20 per cent or more level.

But if that brings a halt in the dollar's surge on the foreign exchange markets, that will be an almost incidental side-effect for the Reagan Administration and the Federal Reserve Board, the U.S. Central Bank. They remain far more preoccupied with the domestic nexus of money supply/inflation/internal economic activity/tax policy.

They stayed virtually deaf to the screams of blue murder from many Europeans this spring as the dollar soared, *causing all manner of ruction* inside the European monetary system and raising the real cost of their dollar-priced oil imports.

The refrain from the Reagan Administration — echoed with slightly more sympathy from the Fed — was that "we'd like to help, but we've got to conquer *our inflation rate*, and if that means high interest rates, so be it. The number one goal of our international economic policy is to get our domestic house in order."

The Reagan Administration has not been disposed philosophically to intervene on the exchanges to brake the dollar's rise. Indeed, it publicly enunciated—through Mr Donald Regan, the Treasury Secretary, and his top monetary specialist Mr Beryl Sprinkel — a "free market" policy of only coming to the dollar's rescue in time of emergency or unusual activity, not to iron out short term fluctuations.

One example cited was $79m worth (small by any standards) of dollar purchases on March 30, the day President Reagan was shot.

The aim is to strike a public difference with the Carter Administration's practice of regular intervention during its *last two years and to curb what* is seen as the penchant in the New York Federal Reserve Bank to "trade for the sake of trading."

Of course, the new policy has only been tested "on the upside," so to speak. The dollar has not needed any support. The only practical change so *far is that the Reagan Admini*stration has not been using the period of dollar strength to build up its chest of reserves, as the Carter officials had done. Should the dollar hit rough water ahead, the Reagan Administration might change its tack, Mr Sprinkel has indicated. It might not want to follow a "benign neglect" policy for which the Carter Administration was criticised up to 1978.

The recent interest rate levels have ben a clear vote of no-confidence by Wall Street and the financial markets in how economic and monetary policy are being conducted in Washington. One reaction by President Reagan has been *simply to pour scorn on Wall* Street's competence to judge such things. Mr Regan of the Treasury refines this to put the *blame specifically on the long* term bond markets for being stick-in-the-mud pessimists, slow to adjust to the new dawn Reaganomics brings.

If there is a lack of con*fidence, it is in the Fed*, Reagan officials point out not so subtly. In a sharp contrast from past practice, this Administration has felt free to criticise the Central Bank in public for technical shortcomings in failing to steady the growth in money supply, and privately Administration officials cast doubt on the political will of some of the Fed's seven governors to adopt a tight *monetary policy*.

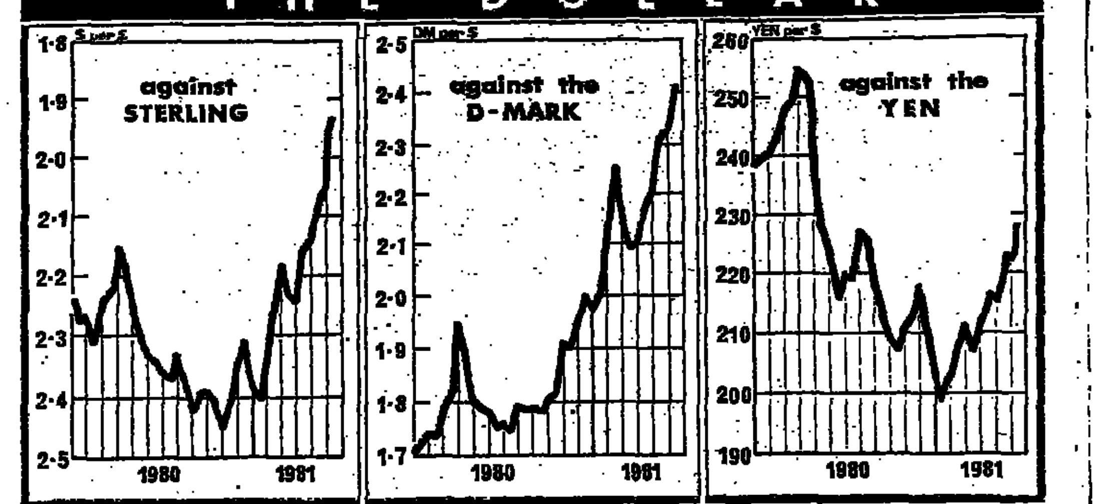
Surprised

Reagan officials say darkly that some of the governors, though not Mr Paul Volcker, the chairman, are not really monetarists or conservatives.

Aside from resenting this unaccustomedly public criticism, the Fed believes the Reagan Administration has itself to *blame for high interest rates*, because of its over-ambitious tax cut plans in particular.

Fed officials have been pleasantly surprised by Mr Reagan's success so far in getting budget spending cuts through Congress, but still think that the three-year, 30 per cent across the board cut *in income tax rate may be throwing away a golden chance* to close substantially the federal budget deficit. If, as now seems likely, Mr Reagan scales down his income tax cut a bit, then Fed concern on this score will diminish. So, too, will anxiety on Wall Street, which has mistrusts of both the Central Bank and the Administration.

In fact, inflation in recent months has come down quite a lot, as measured by the consumer price index, the most popular gauge for the politicians and the markets. The factors behind this have been largely out of the hands of the Washington policy-makers—so much that *it has been called* the luck of the Irish (Reagan and Regan). The current oil glut has had a beneficial effect *on prices, and the May Opec* decisions should continue this. House prices have been dampened by the high mortgage rates, and food prices have levelled off.



Domestic inflation is an important determinant of the dollar's international value. Trade is another, and here, too, the picture looks quite good. Hopes for a dramatic closing of the U.S. deficit on merchandise *trade which has continued since* 1976 were briefly fuelled by a freakish performance in March, when the U.S. imported only *$451m more goods than it* exported. In April the monthly shortfall bounced back to $3.5bn, a sevenfold increase from March.

The recent appreciation of the dollar will undoubtedly hit U.S. exports in coming months, Mr Malcolm Baldrige, the Commerce Secretary, has warned. But the U.S. surplus with the rest of the world in manufactured goods has stayed healthy; *and officials predict* the 1981 overall deficit will still be an improvement on last year's.

But the key to the inflation *and trade trends is the course* of the economy. A sluggish economy—as the administration originally forecast for the second and third quarters of this year — would dampen inflation and suck in fewer oil imports. Yet, so far, the economy will not lie down. Real growth in January-March was first put at an annual rate of 6.5 per cent, then re-estimated even higher at 8.4 per cent.

The ominous concomitant to this was the upward revision of the gross national product deflator—a good guide to the *underlying inflation rate—from* 7.8 per cent annual rate in the first 1981 quarter to 10 per cent. No wonder Wall Street doubts the corner on inflation has been turned.

Power on the wane: a union member vents his feelings — in this case against the building of a Nissan plant in Tennessee — but for how much longer will the unions survive?

Unions seem powerless to hold grip on workers

LABOUR

IAN HARGREAVES
New York Staff

ORGANISED LABOUR in the United States is, by every measurable piece of evidence, on the skids.

It is losing its hold on the workforce—less than a quarter of non-farm workers were in unions at the last count—and it is finding the going increasingly tough in the search for new members. According to National Labour Relations Board figures, labour unions won only 45 per cent of the elections held for unionisation in 1979, after a steady decline from a 59 per cent success rate in 1967.

In their fight against the unions, companies have fled to the more traditionally anti-union areas of the South and they have created an industry of "labour consultants" whose chosen role in life is to advise companies on how to keep out the union. These union busters, fairly or not, claim credit for stopping organised labour in its tracks some time in the mid 1970s.

Others doubt that the union-busters have made much difference. They point to the long and steady rise in U.S. unemployment, especially in the areas of traditional union strength such as motors, steel and mining, to explain both the decline in influence of unions and the fact that the unions themselves seem to have so few ideas for turning the tide because they are pre-occupied with problems of internal decay.

Others feel, more positively, that what has happened is a silent transformation of the country's labour climate away from adversarial attitudes as the labour force becomes younger, better educated and increasingly out of touch with the depression politics in which the great labour organisations have their emotional roots.

This "new industrial relations," with its emphasis upon Japanese-style quality circles, better management-shopfloor communications and a willingness to experiment with changes in production systems, is seen by its advocates as the new breeze which will put an end to declining productivity in U.S. manufacturing.

Whether it will put an end to unions too is a moot point. The labour movement itself does not seem to have worked out a coherent position, with the United Steelworkers agreeing in its last master contract to locally negotiated shopfloor quality programmes, the United Autoworkers alone stressing the importance of union involvement on company boards and other unions simply not interested in the whole debate.

The United Mineworkers, for example, torn by another long strike this year, still has so much to do to create unity within its own ranks that it has become ineffective as either an organising unit (it now accounts for less than half of U.S. coal production) let alone a force to be reckoned with as the structure of the coal industry changes with the acquisition of huge coal reserves by the oil companies.

The latest productivity figures, incidentally, provided no cheer at all. Just published by the Labour Department, they show that U.S. output per hour declined by 0.5 per cent in 1979-80, a performance better only than Canada (down 1.4 per cent), the UK (down 1.3 per cent) and, appearing for the first time on the casualty list, West Germany (down 0.7 per cent). Japan increased its productivity in the period by 6.2 per cent.

From the employers' point of view, the one cheering note is that U.S. labour costs continued to accelerate last year at something less than consumer prices in general, showing an 11 per cent increase against an increase in the CPI of 13.3 per cent. But in competitive terms, the picture was less optimistic.

	% Population	Employment	Average wages
U.S. total	6.7	12.6	59.8
Northeast	8.5	5.6	63.2
Midwest	2.7	10.7	60.6
South	9.7	15.8	59.4
West	14.7	18.5	55.3

Source: Office of management and budget

Japanese labour costs (at least measured in terms of U.S. dollars) fell last year and rose only 2.7 per cent in net terms.

Employers also worry that if inflation comes down, they will be locked into double-digit pay increases for the length of the standard three-year contract, although the benefits of longer contracts would appear far to outweigh the disadvantages.

From the point of view of organised labour, there is precious little light on the horizon on any of these issues, a situation made worse by the movement's loss of influence in Washington since the election of Mr. Reagan. If Jimmy Carter had won again, the unions had some hope that they might have succeeded in pushing through a federal ban on the ability of states to enact so-called "right to work" laws, which make it much harder for unions to function by outlawing the closed shop and which represent the chief block to union gains in the fast-growing South.

Mr. Reagan's victory has also been followed by the expected onslaught on social programmes which the unions hold dear, an attack even extended to some cherished areas such as health compensation programmes in the textile and coal industries. It is not yet clear whether the administration will, as Mr. Reagan suggested in his campaign, get round to cutting the minimum wage for teenagers in an effort to create lower paying jobs for the young. That minimum is currently $3.35 an hour.

One of the few points of encouragement for the unions, although it is very much a victory snatched from the all-encompassing sense of adversity, is increasing unity within the ranks of the union movement, as expressed in the recent decision by the United Autoworkers to reaffiliate with the American Federation of Labour-Congress of Industrial Organisations (AFL-CIO) as well as a number of proposed union mergers (autoworkers - machinists with possibly the rubber workers, too, and general service workers with the main retailing union).

But there is no sign yet of the mineworkers following suit and the re-joining of the fold by the liberal autoworkers (membership, 1.2m) makes it harder to envisage the return to the AFL-CIO of the Teamsters (membership 2.3m) which is, as ever, embroiled in scandal.

Mr. Roy Williams, the leading candidate for the Teamsters' presidency following the death in May of Mr. Frank Fitzsimmons, was on May 22 indicted for conspiracy to bribe a Nevada senator. So used is the union to such allegations that Mr. Williams was still considered a certain victor in the run for the presidency.

All of this is happening at a time when the American labour force is undergoing profound changes in character as a result of the maturing of the postwar baby boom and the radically altered demographics brought on by the migration from the Frost- to the Sun-belt.

Last year, about half of women over age 16 were in the labour force, a figure expected to rise to 57 per cent by 1990. In 1970, the proportion was only 43 per cent.

Services 'rumble towards ruin'

INFRASTRUCTURE

PAUL BETTS

"THE DETERIORATED condition of basic facilities that underpin the economy will prove a critical bottleneck to national economic renewal during this decade unless we can find ways to finance public works." This is the stark conclusion of a recent report by the Council of State Planning Agencies on the crucial issue of infrastructure dramatically called America in Ruins.

But the outlook on this critical problem, often taken for granted or indeed forgotten, is extremely disturbing. President Reagan has promised America a great economic renewal. His economic programme is designed to set the basis of a broad recovery in U.S. business and industry by encouraging savings and promoting private investment. But the strength and productivity of business and industry also rest on the quality of the country's basic infrastructure: its roads, its airports, its ports, its essential public services.

These public services are now in the words of a bold Time Magazine headline "rumbling toward ruin." Cities like New York have streets riddled with potholes. Mass transit is in a state of complete shambles in most major urban centres. One out of five bridges in the U.S. needs repair. Cargo ships have to wait one month, sometimes more, at the heavily congested coal ports of Hampton Roads or Newport News in Virginia. Miles and miles of highways are in urgent need of overhaul. The railway system is in most parts archaic or non-existent.

Against this background, perhaps the most alarming aspect of President Reagan's economic renewal programme is the apparent absence of a concerted policy on rebuilding and developing the country's infrastructure. Indeed, the whole thrust of the new Administration's programme is to reduce as much as possible Federal subsidies which have in the past two years accounted for 10-20 per cent of local government revenues.

What all this means is that local governments, municipalities, cities and essential utilities will have to rely in the future much more on their own devices to raise the necessary funds to finance the development and reconstruction of essential public works and services. And this all comes at a time when local authorities are facing severe and increasing financial pressures which, in the case of many U.S. cities, large and small, have forced them into operating deficits.

More increases

It is no mean problem. The combined expenditures of state and local governments in the U.S. account for more than 13 per cent of the country's gross national product. Despite their stringent financial situations, most U.S. cities increased their capital outlays last year by an average of 19.4 per cent. Further increases are planned for this year, despite the cutback in Federal subsidies.

This, according to a study on the fiscal condition of U.S. cities prepared for the U.S. Congress Joint Economic Committee, probably reflects "a realisation by city officials of the vital role infrastructure plays in the economic development process." But the same report, released last month, warned that "these planned capital expenditure increases may be moderated or reversed as Federal assistance continues to decline."

In the face of decreasing Federal aid and the political difficulties of sustaining adequate rate and tax increases, the capital spending plans of major municipalities will inevitably rely increasingly on the capital debt market. But this could not come at a worse time in view of the current state of the U.S. credit markets. U.S. interest rates have never been so volatile. Nor does the market believe they will drift significantly down from their current high levels for at least two years.

The problem is all the more pronounced for local governments and cities. In any credit crunch, the local government sector tends to be the first victim. Their local statutes often forbid them from borrowing money above certain levels, so they have to face the dilemma of whether to alter the law — and inevitably there is always strong political opposition to changing the statutes — or to sweat out a credit squeeze with obvious consequences to capital expenditure programmes.

Some cities, New York in particular, have had enormous problems in the debt market. In the case of New York, which was on the verge of bankruptcy six years ago, the city has finally managed to return to the bond market last March with an initial $75m issue.

New York's return to the bond market marked the climax of a gigantic bail-out mounted jointly by the Federal Government and New York State, entailing massive loans and loan guarantees coupled with huge sacrifices by the city itself. And although New York is expected to have a balanced budget this year, the city continues to suffer from chronic problems in its public services and the need for urgent improvement and development of existing and new infrastructure.

The conditions in the credit markets have also plagued the utilities, forcing many to delay future capital expenditure including the conversion of oil-fired electricity plants to coal. Many, however, have been forced to turn to the market where yields for long issues have averaged between 15 per cent and as much as 17 per cent. Mr. Charles Brown, chairman of American Telephone and Telegraph, the country's predominant telephone company and one of the leading participants in the debt market, recently suggested that for long telephone issues yields would range between 14 per cent and 16 per cent through 1982.

Few alternatives

The latest report on the fiscal conditions of U.S. cities to Congress concluded that although there was a danger of too-heavy reliance on Federal assistance, for many cities there are few other alternatives. "In the near-term, short of imperiling the health and safety of its residents, cities will have to raise taxes, user charges and fees to compensate for diminished Federal assistance." But the report also claimed that because of the magnitude of the proposed Federal cuts and the abruptness with which they will probably be implemented, many economic development projects will be cut back.

It goes on to end with the following apocalyptic note: "The population of many cities will be forced to forego certain services and to pay more for others, and an increasing number of cities will find themselves on the brink of financial collapse."

Paul Betts reviews the energy scene and explains the Republican policy to encourage its development

Tucked away like a rare bottle of wine

"IT IS OUR great fortune to be one of the richest energy nations in the world. Yet, judging by current economic condition, who would know it?"

With this blunt statement, a group of leading U.S. businessmen and oilmen opened their long and far reaching report to President Ronald Reagan which was to become the basis of a blueprint for a new Republican energy policy.

The report, named "the Halbouty Report" after the Houston oilman who chaired the group of Republican businessmen, called for a series of major changes in former President Carter's approach to the country's energy problems. While acknowledging that under President Carter some significant measures were undertaken to reduce the country's dependence on foreign oil, it claimed that the thrust of the Carter energy programme was to impede production and curtail consumption of energy. "The Government has acted on the principle that the way to deal with energy is to do away with it," the Halbouty Report said.

"Instead of unleashing the resources of a wealthy nation, we have, in the name of saving energy for some unspecified future time, tucked energy away like a rare bottle of wine."

The message of the new Republican energy policy was quite a simple one. It was basically that every effort must now be made to encourage as much as possible the development and production of the country's vast potential of natural resources.

"The U.S. has the potential to produce as much oil and gas in the future as we have produced in our history. We have 60 times more coal than oil and 40 times more coal than natural gas. There is more oil in shale in one single area, 25 miles in radius, than has been discovered in the Middle East. And, the United States is the world leader in most energy technology, especially petroleum," the report goes on to say.

It proposed a series of new measures and changes to sustain a much increased programme of investment by oil companies and energy concerns. It called for the elimination of controls on domestic oil and gas prices: for greater accessibility of federal lands for exploration and development: for less stringent environmental constraints, shifting the emphasis of environmental policy on a scientific cost-benefit basis: to ensure that taxes, controls and subsidies allow the best and cheapest to win out in the marketplace.

"The keystone of our energy policy must be the use of the market system to decide who produces what, where and for whom."

Since his inauguration in January, President Reagan has wasted little time in implementing these policies. He has already removed all remaining price controls on domestic oil. He has proposed to do the same with gas prices, although there are increasing signs that gas decontrol could take much longer and face substantial opposition in view of its inflationary consequences. Mr. James Edward, the Energy Secretary, and Mr James Watt, the Interior Secretary, have jointly announced a plan to speed the Government's offshore oil and gas leasing programme, especially in the all important areas of Alaska. Mr Edwards has also indicated he plans to trim down — indeed, dismantle altogether if necessary — his own energy department, and significantly, he has also hinted that he intends to phase out as quickly as possible the controversial windfall profit tax on oil revenues which came into effect on March 1, 1980.

On the whole, these measures and proposed new actions have been welcomed, particularly by the energy industry. The windfall profit tax has for long been the source of bitter complaints from oil companies. From the beginning, they have regarded it as an excise duty based on wellhead production and not on earnings.

Indeed, the current combination of the windfall profit tax, federal income-tax and State income-taxes plus State severance taxes takes 81 per cent of every incremental dollar of oil producing revenue, leaving the oil company with 19 per cent this is about double the tax take in 1974.

Oil companies' record spending plans

For a long time, the oil companies have indicated that public lands hold an estimated 37 per cent of U.S. undiscovered crude oil; 43 per cent of undiscovered natural gas reserves; 40 per cent of proven coal reserves; 80 per cent of recoverable shale oil and 95 per cent of tar sands, another potential energy source. They have particularly been pressing for the opening up of the outer Continental shelf.

And the Government has already announced that despite environmentalist objections it plans to open up the Georges Banks on the east coast, the Californian Continental shelf, and much greater accessibility to Alaskan offshore areas.

In part in response to the freer, potentially more profitable climate for energy development under the Reagan Administration, the major U.S. oil companies have all recently announced record capital expenditure programmes largely designed to expand their current oil and gas production, exploration and development operations.

In a recent survey conducted by International Petroleum Finance, a New York-based group which analyses the oil and energy industries, the major U.S. integrated and independent oil groups are expected to spend $55.6bn on capital investment this year, or 28 per cent more than last year. Exxon, the largest oil company, is alone planning to spend about $10bn this year of which $6.5bn for traditional exploration and production drilling is already at an all time record in the U.S.

The level of capital expenditure is running at a much higher rate than oil company earnings. In turn, this is putting pressure on the U.S. debt markets with a number of major groups once again turning to the capital markets to finance some of their planned capital programmes. Atlantic Richfield, Tenneco, and many others have already floated bonds. Exxon is talking about returning to the U.S. debt market as soon as conditions improve there for the first time in several years.

But the major oil groups are not limiting themselves to exploring for more oil and gas. Most have ambitious programmes involving shale oil, coal, supplementary recovery. In recent months, there has been a rash of huge takeover bids involving leading energy groups seeking to expand their natural resources base by attempting to acquire minerals and metals concerns. Standard Oil of California made an unsuccessful bid for Amax for up to $4.3bn in what would have been the largest acquisition ever. Standard Oil of Ohio, British Petroleum's U.S. subsidiary whose main asset is Alaskan Oil, is acquiring Kennecott, the largest copper producer, for $1.77bn. Sohio is also buying some of U.S. Steel's coal properties, while Gulf is also expanding its coal operations as are many other U.S. energy groups.

Programme ambiguous in application

For all the promise that the Reagan energy programme has generated, it still remins ambiguous in its application and longer term consequences. So far it has been seen as a programme very much directed to suit the needs of the large integrated oil groups.

Decontrol of oil prices has already proved a major strain on smaller refinery groups which benefited under President Carter of special entitlement programmes and supports. In spite of President Reagan's open endorsement for the development of nuclear energy and greater use of the country's huge coal resources, little progress has so far been made on these fronts. As for synthetic fuels, which President Carter sought to encourage with the setting up of the government backed Synthetic Fuel corporation, the future looks increasingly bleak.

Before looking in some detail at what is happening to coal, synthetic fuels, nuclear and other energy sources, the very outlook for the traditional oil and gas sectors needs to be considered in the light of some recent developments. Against the background of the Republicans' new energy policy, the obvious assumption is that things should have become extremely rosy for the big oil groups. Quite the reverse is true. In the first quarter of this year, the earnings of large oil companies have declined by an average of about 17 per cent. These earnings are likely to come under strain in coming months, too.

The fact is that a dramatic change has occurred in U.S. energy consumption patterns. President Carter's conservation policies now seem to be paying some dividends. Americans, in general, are consuming far less petrol and home fuel oil than they ever did before. The supply and demand picture on the domestic and international markets has altered radically. Refineries in the U.S. are now running at only about 67 per cent of capacity compared to more than 90 per cent in 1979. Demand for petroleum products has declined sharply, in turn depressing the downstream and chemicals earnings of oil companies. Some even reported heavy losses on downstream operations in the first quarter.

For the first time, prices, in spite of decontrol, are coming down on the U.S. market. Several major companies, including Standard Oil of Ohio, Standard Oil of California, Texaco, Conoco, Phillips Petroleum, among others, are paying about $2 a barrel less for the crude oil they buy from domestic producers, which are often controlled by subsidiaries of their own group. The shortages of petrol and pump stations in America two years ago have now been replaced by a price cutting war of sorts by the big oil companies. Some have even taken to advertising their petrol brands on television again.

At the same time, the oil mix available to oil companies has also changed. Many are having to rely increasingly on high sulphur — so-called "sour" —crude. In turn, they are having to spend heavily in upgrading their existing refining facilities. All this is putting the squeeze on some margins and pressure on capital investment to rely increasingly on high new Administration's policy of "open market energy." But the change has been so swift and in many respects so unexpected that it has forced many oil companies to revise their longer term programmes and forecasts.

Oil prices will, inevitably, rise again, but U.S. utilities are slowing down conversion from oil fired plants to coal and nuclear power's future is depressed as a side-effect.

Oversupply hits development of synthetic fuel

The biggest victim of both the Reagan energy programme and the current over-supply in the world oil market is undoubtedly the development of synthetic fuels—or synfuels—which include coal liquefaction, shale oil projects and coal gasification, among other ventures. The government continues to make encouraging noises about the need to develop these alternative fuel sources but it has to all intents become extremely casual in translating these good intentions into practice.

At present there are a host of ambitious projects which seemed doomed to be delayed or slowed down. They include a $3bn shale oil project in Colorado between Exxon and Tosco; a similar $3bn project between Occidental Petroleum and Tenneco; another $3bn venture, this time for coal liquefaction, between Ashland Oil and Airco; a coal gasefication project put at $2.5bn involving Conoco. Cities Services and PPG Industries; and many others.

In all, there have been 63 applications for loan guarantees from the synthetic fuel corporation to back these ambitious projects.

Since taking office, President Reagan has deeply shaken the Synthetic Fuel Corporation and the government agency, set up by President Carter, which was to act as an independent corporation to support the development of synthetic fuels in the U.S.

The fact is that the Reagan Administration, consistent with its overall philosophy of as little government intervention as possible, has never really been interested in state sponsorship of a synthetic fuel industry. It has eliminated direct subsidies for synthetic fuels programmes, expressed no objection when a bill was introduced under which money appropriated for the synthetic fuels corporation could be used to finance the country's strategic petroleum reserve, and has reduced the salaries of a number of synthetic fuel corporation officials and delayed naming a new board since the original board resigned after the election.

Cloud over future of nuclear power

Nuclear energy too has gloomy prospects. The Administration has repeatedly stressed the importance of nuclear in its long-term energy programme. It has appointed a new chairman to the U.S. Nuclear Regulatory Commission, Mr Joseph Hendrie, who is believed to be more sympathetic to the problems of the nuclear industry than the Carter regulators. But, apart from a series of token gestures, it has done little to boost the industry's expectations.

For two years, since the accident at the Three Mile Island nuclear plant in Harrisburg, Pennsylvania, the nuclear industry has been in a coma in the U.S. The accident shattered public confidence in nuclear power and undermined its role as a viable alternative to oil, gas and coal. Since the accident, no U.S. utility has ordered a nuclear reactor, and scores have cancelled earlier contracts.

With the clean up of the Three Mile Island plant—which is estimated will cost about $1bn in current dollars—still at a preliminary and uncertain stage, other problems are clouding the future of nuclear energy. Apart from regulatory delays for new licences and continuing fierce opposition from a vociferous anti-nuclear lobby, there is the unresolved problem of the permanent disposal of nuclear waste. Moreover, the lower than expected demand for electricity and unclear government policies, the utilities are reconsidering their longer-term capital investment programmes.

Utilities think again about conversion

The utilities are also having second thoughts about their plant conversion programme to coal. Coal, of course, has long been seen as a key to America's future reliance on less and less imported oil. The scramble by major oil companies to add to their existing coal holdings is an eloquent reflection of the importance being given to coal for the future.

As the Halbouty Report put it: "Coal is the most abundant yet least utilised of our domestic energy resources. It represents 72 per cent of our known remaining fossil fuel supplies, but accounts for only 19 per cent of our current energy consumption."

Its development has so far been hampered by a combination of factors. These include poor transport facilities, inadequate port infrastructures undermining the potential for U.S. coal exports, an archais union system, and some very tough environmental constraints. The Reagan Administration has repeatedly said it will ease some of the regulatory constraints to encourage the development of coal. But regulations are only part of the equation—indeed the smaller part. The coal industry currently estimates that regulations are about 40 per cent of the reason why coal development is currently being obstructed. The other 60 per cent is made up of basic economics. And those economics involve broad questions as the current state of the utilities, their financial pressures and the general sluggish demand picture for electricity, inadequate transport infrastructures, and various geographical barriers.

Indeed, some gas producing states like Texas and Louisiana have vigorously rejected the idea of conversion to coal since, for them, gas is far cheaper and cleaner to burn than coal, whose high transport costs would make plant conversion to coal "ludicrous," in the words of one Louisiana utility.

So one comes full circle, and back to oil and gas. The main thrust of the Reagan energy programme is heavily weighted towards encouraging the development of more domestic oil and gas production. The Administration's first effective measures, including oil decontrol and the speeding up of lease sales in the outer continental shelf, go towards this direction.

Encouraging signs for the Government

To some extent, in broad economic terms, the current energy picture is an encouraging one for the new Government. Oil prices are moderating and with them so will consumer price inflation. Foreign oil imports are also dramatically down. And the oil groups are spending more than they ever have on new exploration and production.

But there is a limit on the potential of domestic oil and gas development. A study by Cornell University recently showed that increased drilling for oil could soon become a losing proposition.

"The result of our analysis indicates that the current trend of increasing conventional exploration effort by the oil industry may not be in the best interest of the nation as a whole," the study claimed.

The main reason is that the oil industry is becoming less energy efficient at finding oil and the day will soon come when "the energy cost of obtaining a barrel of oil is the same as the energy in that barrel."

And some oil industry experts suggest monster discoveries would have to be made to turn the current domestic energy picture around.

Few of them believe that many such oil fields remain to be found in the U.S.'s unexplored territory. Thus although the Reagan energy programme has won widespread approval, its reliance of new U.S. oil and gas seems to be a little optimistic. In the long run, coal, nuclear power and synthetic fuels will inevitably play a far bigger role. But the current cosy supply and demand situation on the market appears to be blurring the issue. The risk is one of complacency and the cost of complacency could be enormous at some later stage.

On this page and at the foot of page VII, David Lascelles looks at the financial markets, which form one of the key areas of the Reagan economic plan.

Search for fresh confidence

THE REVIVAL of confidence in the U.S.'s huge financial markets is a key goal of the Reagan economic plan. Yet ironically, worrying even, these markets have been strikingly unenthusiastic about the Administration's ability to achieve what it has set out to do. The bond market hit new lows during the Congressional debate last month over the new budget, and the stock market has essentially been in a holding pattern since last autumn.

The market's concerns focus primarily on doubts that Mr. Reagan will be able to balance his budget before the political considerations of the next election in 1984 produce the usual poll-time relaxation in fiscal discipline. These concerns exist even though there is no shortage of influential economists—mostly in the monetarist school—who say that deficits in themselves need not be inflationary, only the way they are financed.

But pessimism has become a habit on Wall Street after the shocks of the last two or three years which knocked the props from under most of its beliefs. Record high interest rates, lack of precedent, a growing sense of crisis—all advised caution and helped shape new trading patterns, most of which worked to the disadvantage of borrowers. The problems of raising new equity and debt capital have sorely strained corporate balance sheets.

In the bond markets, average maturities shortened as investors became less willing to commit themselves long-term, and trends towards flexible instruments intensified. In the stock market, the concept of "stockholder" seems to be fading as more and more people move in and out, looking for quick profits, becoming essentially "stock traders." This has led to an explosion in trading volume.

The private placement market has also ground to a virtual standstill, largely because the insurance companies who are the main lenders in this market have been under severe pressure due to the decline of their business and a sharp rise in the volume of borrowing against life insurance policies (whose rates have been kept at bargain levels by State interest rate ceilings).

The main beneficiaries of these trends have been institutions serving the very short term market: the money market mutual funds whose assets now exceed those of many of the largest banks in the U.S., the commercial paper market, and the commercial banks themselves who have been servicing much of the vastly increased demand for short term funds.

"We're fairly optimistic looking ahead two to three years. It's difficult to argue that stocks are necessarily underpriced, but bonds seem to offer substantial opportunities over that time," said Mrs. Cornelia Small, economist at Scudder Stevens and Clark, one of New York's leading investment management firms.

Disappointed

But whatever the impact of the new budget, Wall Street is also disappointed that the Reagan Administration is not taking more direct steps to improve the capital-raising process, like reducing or eliminating the capital gains tax (which was cut under the previous administration from 49 per cent to 28 per cent). The question of double taxation of dividends is also a sore point for which the Reagan plan offers no remedy.

Although Wall Street's demands for relief on this front look self-serving, its lobby maintains that the Reagan plan's proposals to cut personal income tax will not greatly improve the U.S. taxpayer's standing vis-a-vis his foreign counterpart. According to a study by the New York Stock Exchange, the proposals "will still leave the United States tax on investment income at more than twice that in West Germany and more than 1½ times that in Japan."

The U.S., it claims, has the second heaviest investment tax rate after Sweden: implementation of the Reagan proposals would only push the U.S. down to fourth place, behind the UK and Canada.

Wall Street has, however, benefited from a huge inflow of foreign investment thanks to the more favourable view that foreigners seem to take of the U.S.'s financial and economic prospects than Americans themselves. The dollar's strength and high interest rates have added to the allure.

According to the Securities Industry Association, foreigners' net purchases of equities, Treasury securities and corporate bonds all hit record levels last year, and the continuing appeal of U.S. financial assets so far this year suggests that the trend must go on.

The year's best value for money

STOCK MARKET

THE STOCK MARKET gave investors the best return on their money last year, thanks largely to the powerful rally that started in late March and lasted eight months until the election in November, pushing the Dow Jones industrial average up 250 points to hit the 1,000 mark for the first time since 1976.

The total return on common stocks was in the 20-30 per cent range, with some spectacular gains to be made in sectors like high technology and oil which benefited from rapid growth and high prices. Less predictable was that, as a group, transportation stocks did best. The Dow Jones transportation index gained 69 per cent over the year, compared with 33 per cent for the Standard and Poors 400 industrials and only 21 per cent for the Dow Jones industrials.

The transportation stocks gained chiefly from the revival in the railroad industry where deregulation has led to the emergence of several companies with good prospects in grain and coal haulage. But railroads are also big landowners, and several stocks reflected interest in valuable oil lands in the Mid-West.

Last year's boom also produced an explosion in turnover as the "Reagan Rally" gained steam: average daily volume was up 20 per cent to nearly 45m shares a day: some days it was more than double that, posing severe strains on Wall Street's back rooms.

Something snapped shortly after Ronald Reagan was swept to power. Although the Dow Jones continued to hover around the 1,000 mark (and even hit an eight year high in April), it seemed to lose its sense of direction, and became increasingly a slave to movements in the credit markets, in other words interest rates.

To some extent this stemmed from deep-rooted nervousness about the 1,000 level, a formidable obstacle at the best of times. No single segment of the market was strong enough to assume the leadership for a major advance. Though there was a lot of talk of the market mustering its forces for an assault on the all-time high of 1051.70 (set in early 1973), the dynamism was lacking.

The decline of the oils had a lot to do with it. The powerhouse of the market last year, they lost much of their appeal as the oil glut worsened and crude prices softened. Mobil, one of the high fliers, traded as high as 89 a year ago, but was down in the 50s last month. Some oil stocks have even declined to half their values in recent months. High technology stocks, also among last year's favourites, have been hit by the softness of the components market.

For a while it seemed as if the leadership mantle might be assumed by the old blue chip industrials on the thesis that Mr Reagan's industrial revitalisation proposals would be good for "smokestack" stocks. Early in the spring, this boosted the steels, the engineering and manufacturing companies and even the motor companies. But growing worries over Reaganomics prevented this trend from developing into a strong rally.

Even though the market is currently gripped by uncertainty, there is also a strong sense of being at a cross roads. For more than a decade, now, there has been a serious erosion of real stock values as prices have failed to keep up with inflation or provide an adequate compensating yield, and corporate assets are now widely viewed as undervalued — "The last bargain around," as Merrill Lynch constantly reminds its thousands of clients.

Mr Marshall Front, partner at Stein Roe and Farnham, a large Chicago investment management concern, believes the market will develop broad leadership since the Reagan budget will favour a number of sectors: motors, homes and defence. Lower interest rates will help banks and insurance companies. The oil service sector also looks good, he believes, as do companies that produce equipment that improves productivity in the office and factory.

If the Reagan programme catches on, there is no shortage of people on Wall Street who see the market staging a major advance that will carry the Dow Jones up to 2,000 and even 3,000 by the mid-1980s.

If it fails, on the other hand, the consequences could be very serious indeed: it would be an acknowledgement that even the most conservative leader the U.S. has had in more than a decade is incapable of inspiring the markets with the necessary confidence for revival.

Investment trebled

CURSE OR blessing depending on your standpoint, money market funds are the single most important development on the U.S. financial markets in the past decade, and they symptomise the problems with which those markets are grappling.

The funds enable small investors to participate in the wholesale money markets where yields have been in the mid to high teens for most of the past year, far more than depositors can get in bank accounts. Highly liquid, these funds require small initial investments ($1,000 is typical) and many even allow investors to write cheques on their accounts.

Since 1979, investment in these funds has trebled and currently stands in the region of $115bn, equivalent to the total assets of Citicorp, the largest bank in the U.S.

Most of this money has gone into the short term debt market (six months or less) where demand has soared because of the high cost of fixed rate borrowing and huge uncertainty about the longer term credit outlook.

The funds are a blessing insofar as they have supplied this market and brought investors high yields. But they have highlighted the erosion of the long term market and grown into a powerful competitor to the banking and thrift industries. They have also interfered with the Fed's calculations of the money supply.

Several legislative attempts have been made to curb them (by subjecting them to reserve requirements or obliging them to invest in certain types of "worthy" securities), but none has been able to overcome tough political opposition based on the fund's popularity.

Were interest rates to decline sharply, the funds would lose much of their raison d'etre because other investment vehicles would gain in attractiveness. Nevertheless, they have probably served a useful purpose by pinpointing many of the weaknesses of the U.S. financial and banking system, and may thus turn out to be useful catalysts for change.

High interest rates hit values

BOND MARKET

THE BOND MARKET has been little short of a disaster area for over a year now. Record high interest rates have demolished bond values and seriously eroded investor confidence, possibly to the point where it may never recover. The success or failure of the Reagan Plan will be played out with particular drama here.

In many ways, the bond market, far more than the equity market, lies at the heart of Wall Street's hopes and fears. In it are reflected not just the day-to-day cost of money, but the expectations of borrowers and investors alike about the prospects for inflation, economic progress, and most of all, the ability of politicians to put things to rights. The fact that interest rates have shown an inverted yield curve for most of the last 12 months is a sign of how impatiently the peak in rates has been awaited.

The sense of crisis began to grow more than a year ago, when the Carter Administration was conspicuously failing to get to grips with inflation, and when monetary policy seemed incapable of holding the line. No one who owned bonds last year obtained a positive return, and that will probably hold true for the first half of this year as well.

In the third quarter of 1979, the U.S. Government and top quality corporate borrowers were still able to obtain long term funds at less than 10 per cent. In the second quarter of this year, the Government was paying 14 per cent, and Triple A utilities more than 16 per cent. But the sadder fact is that the huge majority of U.S. corporations have by then been unable to borrow at all.

The unprecedented volatility of interest rates has reshaped the debt markets in a number of ways, most strikingly in the shortening of maturities. Investors, growing reluctant to commit themselves long in a market that has served them so badly in the last couple of years, have lost their appetite for 30-year paper. Institutions now show a distinct preference for debts of 15 years or less. Individuals, insofar as they participate in the market any more, view it increasingly like the stock market — as a place to make quick gains.

Protection

The parallel growth of the interest rate future market has given institutions a means of protecting themselves against interest rate gyrations, but use of this market is still largely confined to Wall Street.

The growth of new-fangled instruments like flexible rate bonds, bonds with warrants, and even original issue discount bonds (which carry low or zero coupons) are all indications that issuers have to be increasingly "innovative" if they are to attract investment dollars, but much as these trends point to Wall Street's resourcefulness, they are also eroding the discipline of the financial markets.

The market's fears are also overlaid by concerns over the Federal Reserve's handling of credit policy. The Fed's new tactics, which incline to the monetarist approach, have added to interest rate uncertainty and forced the market to build a "volatility" premium of as much as 2 per cent into yields. While Wall Street is generally impressed by the firmness of the Fed's stance, it suspects that the Fed governors themselves nurse doubts about the Reagan Plan, and this could damage the Fed's credibility.

Such was the deterioration of the market by the second quarter of this year that top quality bonds were yielding as much as 5 per cent above the rate of inflation, a generous rate of return by any standards. However it was also a measure of the market's uncertainty that it was unable to attract strong buying even at this rate. The gloomy predictions of higher interest rates from Wall Street's famous "gurus" reduced further the ranks of those with the stomach to buy.

U.S. FINANCE AND INVESTMENT VII

The last two years have been rough ones for the financial institutions and when things improve the industry may find its shape has changed radically. David Lascelles reports.

THE TOP TEN U.S. BANKS

(at end of 1980)

	ASSETS $bn	DEPOSITS Total $bn	Change from 1979 per cent	Time/demand per cent	Foreign per cent	LOANS Total O/S $bn	Change from 1979 per cent	Loan loss prov. $m	Change from 1979 per cent	Net charge-offs as percentage of loans	Fed. funds borrowed per cent	PERFORMANCE Net operating income $m	Change from 1979 per cent	Return on average assets	Leverage	Return on com. equity	Net interest income	Operating income Change from 1979 per cent	Operating income as percentage of net int. income	5-year growth eps. per cent
Citicorp (New York)	114.92	71.771	2	86/14	72	72.269	12	298.0	27	0.4*	11*	507.0	−7	0.47	28.7	13.6	2622	1	19.3	8.9
BankAmerica (San Francisco)	111.617	88.426	4	79/21	46	64.693	10	241.5	7	0.3	8	645.0	7	0.62	28.3	17.5	2979	8	21.7	16.6
Chase Manhattan (New York)	76.19	56.846	17	74/26	54	47.267	17	189.5	27	0.3	11	364.7	17	0.49	32	15.8	1728	10	21.1	23.1
Manufacturers Hanover (New York)	55.522	41.745	9	67/33	50	33.044	21	77.8	−27	0.2	7	230.2	9	0.48	29.2	14	1181	10	19.5	8.9
Morgan J. P. (New York)	51.991	35.594	18	70/30	52	26.489	17	42.1	41	0.1	17	367.7	28	0.77	23.2	17.8	995	18	36.9	12.8
Continental Illinois (Chicago)	42.089	27.314	14	81/19	50	27.367	16	96.0	37	0.2	38†	224.1	15	0.57	27.4	15.5	838	24	26.8	10.6
Chemical New York	41.342	30.067	4	68/32	43	23.852	10	63.0	5	0.2	12	175.2	23	0.44	33.6	14.7	1018	19	17.2	10.9
Bankers Trust New York	34.202	23.816	6	68/32	48	17.581	9	90.0	89	0.4	17	214.0	87	0.64	34.9	22.3	764	26	28	25.1
Western Bancorp. (Los Angeles)	32.11	24.864	5	65/35	9	18.549	6	113.4	11	0.5	11	233.4	9	0.78	23	17.9	1300	10	18	25.1
First Chicago	28.699	21.361	1	83/17	55	17.308	8	112.0	33	0.6	18	66.5	−42	0.23	23.9	5.5	437	−6	15.2	−4.2

* Loans on net unearned income only. † Includes other funds purchased and/or other funds sold.

Source: Business Week.

Cyclical low leads to cut in profits

THE LARGEST suppliers of funds to the financial markets, the U.S.'s giant insurance companies, have themselves been under pressure as they grapple with intense competition and the tight regulations that characterise their industry.

With their business at a cyclical low, underwriting profits have been down sharply and overall profitability has only been sustained thanks to the high yields available in the financial markets. But even this is a mixed blessing. It has kept alive underwriting capacity that should by rights have been driven out of business and has preserved competition at a fierce level.

The path to which the industry has come was highlighted by a recent announcement from Aetna, the country's largest non-mutual insurer, that it would be forced to raise premiums even at the cost of market share to restore healthy operating margins. Mr William Bailey, Aetna's president, said competition had reached a level of "unparalleled intensity." No major company felt able to follow Aetna's move.

But even before the competitive pressures reached their latest pitch, the insurance industry had encountered obstacles which prevented it from sustaining its customary flow of funds to the market.

The virtual collapse of the bond market last year forced portfolio managers to curtail their commitments to long-term fixed income securities for fear of being burnt again. It is rare now that insurance companies invest in bonds of more than 15 years' maturity, though for tactical reasons they may go longer. Because of the short reduction in borrowing activity, this has not yet had a major impact on the market but it will when corporate names come back in large numbers.

INSURANCE

Life insurers have also been less willing or able to supply funds to the private placements market. This is partly because of the same fears that have changed their strategy in the bond market. But liquidity has also been squeezed by the high volume of borrowing against life insurance policies.

State laws typically limit the maximum interest chargeable on this borrowing to 8 per cent—less for old policies, making this a bargain source of funds.

Borrowing against policies went up 20 per cent last year to $42bn. The life insurance industry is trying to get this legislation changed. More individuals are coming to the view that life insurance is not an attractive proposition at times of high inflation.

For similar reasons, insurance companies now prefer to keep a larger proportion of their assets in liquid form: they invest in institutional money market funds or in the money market, directly reducing the volume of funds available for bonds, mortgages and corporate lending — once the staples of their business.

One of the few areas in which the insurance industry has increased its long-term investments is real estate, particularly large office buildings. Metropolitan Life recently bought the Pan Am building in New York for $400m, a high price that reflected the investment appeal of such property.

However, as the Pru-Bache deal showed, the staid world of insurance may also be looking for pastures new. Not that Bache will make much difference to the Pru's earnings, but it makes a change from collecting premiums and putting them straight into treasury bonds.

A storm of change

AMERICA'S FINANCIAL institutions—its banks, investment houses, insurance companies and so on—have been fighting their way through turbulent seas in the last couple of years, buffeted by high interest rates and stormy markets.

For many, it has been a journey through uncharted waters in which the old rules and expectations no longer apply, and many have suffered badly. For others, like Wall Street's brokers, it has been an exhilarating time that has offered unprecedented business opportunities—and profits.

But if and when the heavy seas subside, the financial industry may also find that it has gone through a storm of change. By the middle of this decade it is likely to be a very different industry from the one it was in the mid-1970s.

Laws governing the financial and banking industries are already being strongly challenged and may well be drastically reshaped in the years to come to meet the new realities. New alliances are being forged between companies who previously scarcely identified their common interests at all—the American Express-Shearson merger is a good example. Novelties like the money market mutual funds may well be here to stay.

Tougher times in a brave new world

ON THE FACE of it, the U.S. banking industry might have been expected to have been a prime beneficiary from the financial upheavals of the last two years. The collapse of the bond market and the strong corporate thirst for funds has produced a surge in the commercial and industrial lending business, the banks' bread and butter.

But banking executives at the country's biggest banks are almost all unhappy about the state of their industry: They feel hemmed in by archaic legal constraints, hounded by unfair competition, and exhausted by the volatility of the markets.

Describing his industry as "handcuffed," Mr Harry Taylor, Vice-Chairman of Manufacturers Hanover told a recent conference in New York that "commercial banks have found that it's a lot tougher making a living in this brave new world."

Earnings have been highly volatile, and have depended as often as not on freakish trading profits or a bank's vulnerability to irritations like state laws limiting the amount of interest that can be charged on credit card balances. In the first quarter of this year, profits were up about 10 per cent on average, which was the rate of inflation, and unless interest rates calm down, they are unlikely to show much improvement for the year as a whole.

A large part of the problem has been that while commercial and industrial lending is up, the banks have not always been able to maintain an adequate spread between their funding costs and their return. The prime rate's recent rebound to the 20 per cent plus level was largely a response to the sharp increase in costs in the money market.

According to Mr George Salem, banking analyst at the Wall Street broking firm of Bache, the net interest rate margin at the six largest banks in New York and Chicago in the first quarter was 2.5 per cent—down from 2.75 per cent last year, and 2.86 per cent in the year before. By contrast the smaller banks in the regions had little trouble obtaining a spread of 4 per cent or more—partly because of their freer access to cheap depositor funds.

BANKS

Competition from other sources of short term funds like commercial paper is also forcing large banks to undercut their own prime rates.

The large banks' funding problem has been made particularly acute by competition from the money market mutual funds which have drained an estimated $50bn out of the banking system. Prevented by the Fed's regulation "Q" from offering market rates for funds, banks have been at a serious disadvantage in the race for the depositor's dollar.

The problems raised by regulation Q—which effectively says banks may pay no more than 5¼ per cent on savings—have already been recognised, and Congress passed last year's Depository Institutions Deregulation Act which provides for the phasing out of Q by 1986. But many large banks want faster relief than that, though they are unlikely to get it because of opposition from the thrift industry which is already in serious trouble. The large "money centre" banks have also mounted a powerful lobbying effort for reform of two other major pieces of banking legislation which were passed nearly 50 years ago and are now claimed to be out of date.

One, the McFadden Act, and its Douglas amendment, bars banks from opening branches and buying other banks in more than one state. This has prevented the growth of nationwide banking and chiefly explains why there are more than 14,000 banks in the U.S., many of them one-man small town operations.

But the small bank lobby is hotly opposed to reform of McFadden because it will expose them to big bank competition, and at the moment they control more votes in Congress than the money centre banks.

Similar political obstacles stand in the way of reform of the Glass-Steagall act which creates the dividing line between commercial and investment banking. Commercial banks may, essentially, only do commercial banking.

Meanwhile, U.S. banks face increased competition on their home territory from foreign banks, notably the Japanese. Foreign banks are now fully subject to U.S. banking laws—which they were not until last year—but they continue to increase their market share.

Brokers on the crest of a wave

IT IS HARD to believe that only five years ago Wall Street was going through a major crisis which wiped out nearly half its firms and led to the greatest consolidation it had ever seen.

Today, Wall Street's broking houses are riding on the crest of a wave and seem strategically placed to benefit from the major realignment of the financial services industry which many people believe is on the way.

Few and far between were the firms that did not increase their profits last year by 50 per cent, many doubled them.

Merrill Lynch, the giant of the industry was up 70 per cent, First Boston 95 per cent, E. F. Hutton 120 per cent and Dean Witter Reynolds more than 300 per cent.

Record trading on the stock exchanges had a lot to do with it as the six month-long "Reagan Rally" produced the best bull market since 1975. This sparked a huge increase in share turnover and lured the small investor back into the market for the first time since the early 1970s. Retail brokers like Merrill, Shearson, Paine Webber and Bache all benefited from this development.

There was also heavy trading on the bond markets, though more as investors scrambled to minimise losses than cash in on their gains. The commodity markets, particularly precious metals, were very active too.

However, it was also evident that Wall Street firms owe an increasing share of their profits to investment banking in its strictest sense, mergers and acquisitions and so forth. The unprecedented takeover wave in the last 12 months—which has made $500m deals seem commonplace—and the steady re-alignment of corporate America have fostered a brisk market in corporate engineering.

Within that trend there has also been a growing interest in divestiture, as large corporations seek to hive off businesses which do not suit them in the operating climate.

As one investment banker said with a smile: "We earned our fees in the 1960s and 70s putting big companies together, now we earn our fees taking them apart again."

That is not to say that everything has been plain sailing for Wall Street. The last year or so saw at least two of its members in trouble.

Bache Group's involvement in the silver crisis of March 1980 pushed it perilously close to disaster.

The group has since recovered strongly but it was an episode that showed how vulnerable Wall Street can still be to unexpected dramas.

Paine Webber also learned the hard way that merging is not always fun. It acquired Blyth Eastman Dillon late in 1979 and spent much of last year trying to sort out the horrendous back room problems that arose when the two firms tried to marry up their operations.

The big news on Wall Street, however, is the emergence of what could be a new trend in financial takeovers with the $385m bid for Bache by the Prudential Insurance Company and the $900m merger between American Express and Shearson, which is the more significant.

WALL STREET

The Bache-Pru deal, which links Wall Street's sixth largest broking house with the U.S.'s largest insurance company, was primarily a defensive manoeuvre by Bache to fend off the unwelcome advances of a Canadian suitor.

But it showed the possibilities for linking up different parts of the financial services industry, and is said to have been the inspiration for the Amex-Shearson deal which came out a few days later.

Like few deals before, Amex Shearson fired Wall Street's imagination with possibilities and triggered strong buying of broking house shares in the expectation of more mergers.

A victim of high rates

HOUSING FINANCE, the largest single finance market in the U.S., has been one of the most conspicuous victims of high interest rates. Mortgages, which were below 10 per cent two years ago, have been in the mid-teens for most of the past 12 months. This has had serious repercussions for both borrowers and lenders, and has brought about drastic changes in the $500bn market itself.

Not surprisingly, house sales have ground to a virtual standstill, causing considerable social disruption and depressing a big segment of the economy.

More critical, though, is its impact on savings and loan institutions (S. and L.s) which perform the role of building societies in the U.S.

Most American mortgages are of the fixed rate kind: interest on the loan remains unchanged throughout its life, which can be as much as 30 years. Yet the S and Ls fund these loans largely with short-term deposits. This presented no problem so long as rates remained low. Recently, however, the S and Ls' cost of raising deposits has soared, and has in many cases exceeded the yield being obtained from mortgages.

According to the Federal Home Loan Bank Board, just over half of outstanding mortgages yield 9.5 per cent or less, but the cost of marginal funds in the first quarter of this year was around 14 per cent.

HOUSING FINANCE

Although the S and L industry managed to keep its head just above water last year (its return on assets was a mere 0.1 per cent), it is expected to run up huge losses this year, to the point where its capital base will start to erode.

Banking authorities at both state and federal level have responded to the crisis by trying to free S and Ls from the grip of fixed rate mortgages. Although nothing can be done about existing loans, new mortgages incorporating various flexible features were authorised for federally-chartered institutions from May 1.

While standard in Europe, adjustable rate mortgages are novel in the U.S., and home-owners are having to be educated to them. They come in various forms: British style variable (though adjusted according to some objective index, not at management's whim), three and five-year roll-over (essentially adjusted at the end of those periods), or graduated payment.

It will take some time for the industry to issue enough of these variable rate mortgages to build a respectable cushion against future interest rate shocks, and the next few months will still be difficult.

President Carter's policy for industry, launched in August last year, is beginning to show fruit. The Reagan team, despite its radically different economic beliefs, also accepts the need for deregulation of industry. But the new President, as Ian Hargreaves reports, is not without an interventionist streak.

Setting to work with a will

ONE OF the more curious by-products of Jimmy Carter's years in the White House was the emergence of a national debate about industrial policy.

It can fairly be described as by-product, because Mr Carter certainly did not enter office intent upon creating anything remotely describable as an industrial policy. Like most presidents before him, he was concerned with macroeconomic management and prepared to devote times specifically to industrial matters only when there was a stink, such as Chrysler, or, for an earlier administration, Lockheed.

But by the time Mr Carter was preparing the last phase of his campaign for re-election, the issue of industrial policy had shambled into centre stage. The U.S. news magazines had picked up the theme of "the re-industrialisation of America," and soon even television commentators were having to explain the significance of things like plant depreciation.

By the time he launched it, in August last year, the Carter policy had three main planks: cut business taxes and encourage capital formation by changing depreciation schedules; reduce the impact of regulation upon American business; and wherever possible encourage a tripartite approach to problems involving management, labour and government. Mr Carter even planned to form a kind of central national economic and industrial council on the European model, with Mr. Irving Shapiro, then chairman of Dupont, and Mr. Lane Kirkland, president of the AFL-CIO, as leading lights.

All of this was viewed at the time as a rough bit of electioneering, designed to bolster support from Labour while stemming the flow of the business vote (more a matter of influence than direct ballot power) to Mr. Reagan.

But the untidy branches of the Carter industrial policy did have some roots. Mr Carter was from day one an avid deregulator of industry. He also did much to hold the line against protectionism and although the tripartism was largely a piece of window-dressing, it stemmed from some fairly solid background work in organising a cease-fire between Washington and the steel industry.

The other proof that the approach had roots is the fact that the branches have started to show blossom pretty early in the life of the new Administration. The 10-5-3 plan on depreciation schedules is a straight lift from the Carter plan, for example, and the commission on deregulation run by Vice-President Bush has so far done nothing which Mr Carter might not have done had he stayed in office.

Momentum

The biggest difference is the greater momentum behind the Reagan team's attack, the absence of resistance in Congress (for example to the recently passed stretch-out on the period within which steelmakers must meet certain clean-air standards) and, of course, the fact that the Reagan initiative is founded in a fundamentally different macroeconomic theory. Mr Reagan also has more a uniformly-minded group of people implementing his policies — a weakness of leadership whichbedeville d most of Mr. Carter's efforts.

Since Mr Reagan came in, however, talk of industrial policy has again gone out of fashion, as has talk of energy policy or anything else which gives the appearance of an interventionist approach.

But just as Mr Carter's Democratic politics encompassed a good deal of pro-business, anti-regulation thinking, so too will Mr Reagan show an interventionist streak when necessary. The gentle accedence to an albeit moderately protectionist position on Japanese car imports is one recent example of this. The now a-brewing plans to provide some kind of guarantees or credit backing for the beleaguered savings and loans associations is another.

More evidence of the essentially bipartisan approach to industry is the fact that all of the pro-business measures now meandering their way through Congress, such as easing of the foreign bribery laws, proposed rectification of the position which means Americans working abroad are taxed twice, or the willingness to allow American companies to work together in the hunt for exports without risk of anti-trust infringement were all working their way to the top of the pot under the previous administration.

The clear differences, such as they have been, are at the fringes. Mr Reagan has, for example, axed the Economic Development Administration and its regional commission, which were responsible for creating jobs in depressed areas, but this was a very small programme.

On the other end of the spectrum, Mr Reagan is also willing to economise by sharply cutting the funds of the U.S. Export-Import Bank, something which will hurt U.S. exporters of heavy capital goods (such as aircraft and power stations).

He would probably have done neither of these things but for the need to save money everywhere possible to fulfil his macroeconomic designs on the supply side.

Even on taxation, it is noteworthy that Mr. Carter's pre-election tax plan for 1981 was more pro-business directly than Mr. Reagan's plan. Over 60 per cent of the Carter tax cuts were directed at business. In the Reagan scheme, business is designed to get 28 per cent of the cake this year and 18 per cent next, although these figures will be somewhat different in practice because of their amendment in Congress.

So much for the politics of industry.

The fundamental reason, of course, why all these rather disparate issues have become talking points is because of a loss of confidence about the excellence of American industry.

Foreign cars now account for more than one in four sales in the U.S.; foreigners supply anywhere between 16 and 18 per cent of the country's steel; the European Airbus has become, behind Boeing, the second force in the world airliner industry; the Japanese sell more small photocopiers in the U.S. than any American company; TRW of Cleveland decided it could no longer compete in computers without access to Japanese technology in its home market; and so on.

Decline

Behind these more obvious blows to American industrial self-esteem also lie some discouraging numbers, which point to a steady rate of decline in productivity improvement over the last 10 years to a virtual standstill by the end of the 1970s, and the fact that the U.S. is being outspent on a percentage of GNP basis on research and development and capital spending by several nations, most notably by Japan and West Germany. The U.S. share of world manufactured export markets has dropped from 25 per cent in 1960 to about 17 per cent today.

These figures have now been well digested in the Washington political gut and their recipe for dealing with the problems is as follows: shorten depreciation schedules to reduce paper profits and therefore lower business taxes; curb inflation through tight control of money and credit and stimulate savings and thereby the resources available for capital investment (for example through the stock and credit markets) by lower personal taxes.

Also, the administration will maintain or accelerate the pace of deregulation, whether that means not telling the auto industry whether to fit air-bags into cars as an alternative to seat belts or whether it means pressing ahead, as the Administration is doing, with the more broadly-based deregulation of the domestic airline industry, a programme which although it has wide industry support, has greatly compounded the financial difficulties of many airlines in the last two years.

The goal is the Holy Grail of non-inflationary or low-inflationary growth, during which it is felt that American business will again find its feet, increase productivity and restore its authority in the world.

This over-simplified picture, however, is going to be hard to achieve. Moreover, it starts from a misrepresentation of what is happening to the U.S. industrial economy, whose most notable feature in the last seven years has been its strength, not its weakness.

Economic growth in the first quarter of this year at 8.4 per cent was the strongest in nearly three years, in spite of almost record interest rates, and a still profound slump in the interest-rate sensitive sectors of motors, construction and farm equipment. The sharp drop in GNP in the second quarter of last year, induced by the Carter credit crunch, was the only significantly down quarter since the end of the OPEC-induced 1973-74 recession.

Thus the behaviour of the economy continues to baffle economists, but it is less puzzling if the economy is looked at in pieces. The population drift from the Snowbelt to the Sunbelt is today far less a question of industry moving in search of lower labour costs (indeed that motivation is nearly at an end) than a drift towards the West with its natural strengths as a Pacific trading base with strong high technology infrastructure, the South-West with its energy resources and the South generally (especially Florida) with its sunshine and the growth industry of retirement as the American population ages.

President Reagan's defence spending increases also tend to benefit chiefly the high technology aerospace companies in these same regions. The defence budget is itself a major reason for not expecting a slack economy in the foreseeable future.

No crisis

This is not to deny the existence of deep-seated problems in some American manufacturing industry, both in terms of obsolete plant, poor quality control and indifferent management, but a large part of the industrial base has never been anywhere near close to crisis.

Even the famed drop in productivity trends is concentrated in practice in a few areas, notably mining and primary metals. The productivity of the ailing motor industry grew by 4.12 per cent in real terms between 1972 and 1978, for example, and will resume rapid growth again once the overall market picks up. But that is not to say Detroit will beat out the importers. The increase in world trade (imports rose in value from 4 per cent to 9 per cent of American GNP in the last decade, as exports rose from 4 per cent to 7.5 per cent) is a permanent fact of life which need not be treated as a negative by those looking to restore the U.S. economy.

The U.S. economy also has other things going for it: a large natural resources base; a pre-eminent food production industry; a skilled labour force which has accepted a real drop in wages for two successive years, avoiding any wage pushing inflation; and capital markets which for all their recent fevers are the most flexible in the world.

For the moment, it is hardly surprising that American industrialists are worried. High interest rates are still squeezing them out of the bondmarkets and the stock market, although close to its highest levels for seven years, is valuing many companies at far less than their real values and it is afraid that inflation may now be locked into the system in the low double digits.

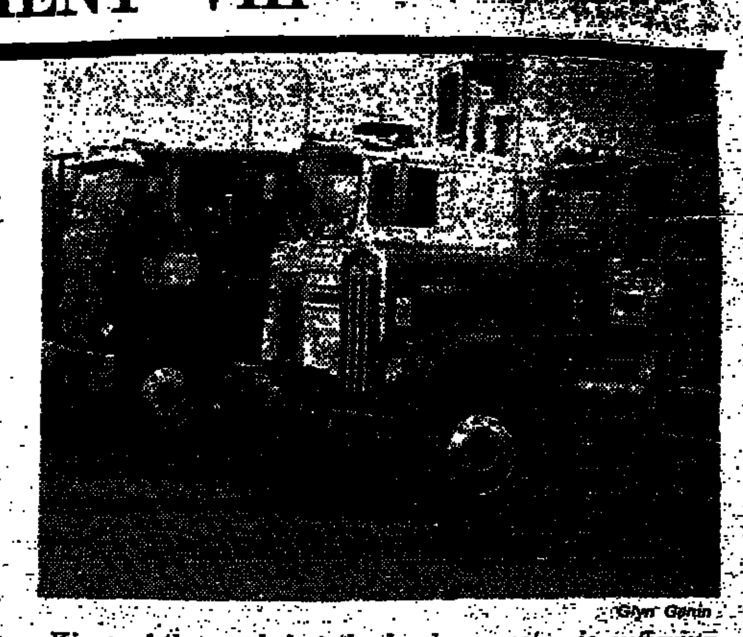
This has created the conditions for U.S. business to suffer its worst liquidity position since the war, with expensive short term debt now at a 0.85 to one ratio to long term debt, compared with 0.6 in 1965.

Another indication of declining corporate balance-sheets is the activities of the U.S. credit rating agencies, which constantly vet the financial strength of companies using the public debt markets. These agencies have down-graded 32 corporations since the start of 1980, with only 44 being upgraded. Needless to say, the bulk of the upgradings were in the energy/high technology fields.

The credit squeeze in turn has produced some casualties, with 5,100 commercial and industrial bankruptcies in the first 17 weeks of this year, compared with 3,493 in the same period of last year. White Motor, Seatrain Lines and Itel are three of the bigger companies to have gone down this path. There has also been high drama short of bankruptcy at Chrysler, International Harvester, Massey-Ferguson and Braniff International and First Pennsylvania Bank.

It always remains possible, of course, that the chemistry of the atmosphere could change as interest rates rise and produce something which looks like a conventional recession.

But looking at longer run trends and structures, generalisations of gloom appear to be far from appropriate, as a glance through the varied snapshots of the main industrial sectors on this page and the next indicates.



Kings of the road: but the haulage sector is suffering from patchy earnings.

Power utilities

THESE ARE having a hard time because of delays in, and higher costs of, their nuclear-fuelled installations following the Three Mile Island accident. Demand for electricity has also been much lower than was anticipated in plans framed in the early 1970s and many utility stocks continue to sell at below book value. Earnings are also very vulnerable to high interest rates as utilities borrow so heavily in the bond markets.

Communications

ANOTHER INDUSTRY in revolution and the throes of deregulations is telecommunications. High interest rates have set back capital spending and, to some extent, hurt profits, but there is tremendous excitement about the potential for spilling over into word-processing related communications and the office of the future.

The Federal Communications Commission has also sanctioned some rate rises which will boost telephone company profits. AT and T, the industry giant, is bracing itself for a possible future battle with IBM and others in datacommunications.

Forest products

THE FOREST products sector suffers from weak construction demand, but most diversified companies came through last year fairly well, gaining on paper and losing on timber. Increases in capacity planned for a number of paper products may weaken margins this year and next.

Airlines

THE INDUSTRY has been struggling against three difficulties — soaring fuel costs, an unprecedented drop in traffic (down 5.4 per cent in the U.S. last year) and the structural changes brought about by deregulation of prices and route rights.

This has dragged many of the big names (Braniff, Pan Am, TWA, Eastern, United, American and others) into heavy losses, whereas a number of very small, non-union carriers with lower costs have experienced rapid growth and reasonable profits.

Lately, lower oil prices have brought some relief to the carriers, but a shakedown is still in progress, with Texas trying to buy Continental, Pan Am still trying to digest National and Republic still trying to make sense of its component parts, the former North Central and Southern, which merged in 1979.

Freight business has been helped by recent buoyancy in the economy, but price competition remains fierce.

Aerospace

THE MAJOR beneficiary of the defence spending boom, which does not really get under way until 1982, is the aerospace industry. The Pentagon will handily obscure the deep problems which still exist for McDonnell Douglas and Lockheed in the civil sphere, Boeing goes from strength to strength.

The military aircraft builders, like General Dynamics, Grumman and Hughes, will enjoy the spending spree, so too will components suppliers like Bendix, the defence electronics companies, the missile builders (Martin Marietta, et al). Defence is a major positive factor for the economy in 1982-85.

U.S. FINANCE AND INVESTMENT IX

The aerospace industry will be the main beneficiary of the defence spending boom when it gets underway next year, but in the civil field Boeing is going from strength to strength. Here, the Italian-made tail assembly of a Boeing 767 stands in front of a Heavylift Cargo Airlines' Shorts Belfast aircraft at Everett Field, Seattle. Heavylift is flying tail assemblies for the 767 from the Aeritalia factory at Naples to the Boeing plant near Seattle on the U.S. West Coast.

Glyn Genin

Steel

STEEL SURPRISED itself with the strength of demand in the past six months, but is nervous that high interest rates could produce another setback. A trigger price system which seems (at least until the April import figures) to have worked, has encouraged higher prices, and profits have been better than expected, based upon an industry now operating at about 87 per cent of capacity.

The industry has also started to cash in on its huge coal reserves by making sales of assets, mainly to oil companies. The industry still has a number of weaker members (such as Wheeling - Pittsburgh) and plenty of obsolete equipment.

Electrical equipment

THIS IS a difficult industry about which to generalise, but an electrical equipment company with a stake in most parts of the business, General Electric, has been struggling to make earnings grow in line with inflation. There has been some surprising strength, however, in areas such as TV sets (helped by the cable boom) and many companies have an interest in the defence sector.

The heavy electrical equipment sector, such as Power Generations, has suffered from weak foreign demand and the problems at home being experienced by utilities.

Road haulage

THE SECTOR is subject to extensive operational deregulation, has had patchy earnings since, perhaps in part because in-house trucking operations of the big companies now have more freedom to take backloads. Roadway Express and Overnite Transportation are two of the stronger companies in terms of profits.

Tyre and rubber

IF ANYTHING, the tyre industry was hit harder than the auto assemblers because of a lack of radial tyre capacity when the market moved that way. But action taken has been prompt and radical, leading to a reshaping and at least partial financial recovery by companies like Firestone and Uniroyal, although some smaller manufacturers have gone out of business.

Goodyear, the only U.S. tyre maker with significant European business today, remains a powerful, multinational competitor, whereas others have sought diversification — notably Goodrich. Firestone may be preparing to form a joint venture with Bridgestone of Japan.

Other foreign manufacturers, especially Michelin of France, have gone from strength to strength in the U.S. There is no sign of a recovery in industry shipments, however, which last year reached 107m units, down from 122m the year before.

Shipping and shipbuilding

THIS HAS been a very weak area for years, with shipyard merchant orders at near record lows. But the increase in defence spending and resultant naval programmes promise some relief.

Seatrain Lines was a celebrated bankruptcy in the shipping field, but others have either shaken themselves back into shape (for example, Gotaas Larsen), are trying to do so (Seacontainers) or are part of big groups (Sealand, which is part of R. J. Reynolds) and doing well.

Broadcasting

CABLE TV is one of the fastest growing industrial or commercial enterprises in the U.S., thanks to the growth of pay television and special programming. Numerous mergers are in the pipeline or have taken place, with newspaper chains, financial services companies and electrical companies among the buyers.

The conventional broadcasters, such as ABC, NBC and CBS, are barred from participation in this craze and their earnings, dimmed by weak advertising trends, have not been too bright.

Building

BUILDING HAS been, with motors, the hardest hit sector of the economy during the interest rates blitz. Housing starts totalled 1.3m last year, against a good year of 2m units. So far this year there is no sign of improvement.

There is also an excess of retailing capacity in the country generally (although this is different according to region). The office market is booming, however, in certain big city centres.

There is some hope that the Reagan depreciation proposals will increase business investment in new buildings. Conditions vary enormously from place to place, affecting an industry of predominantly small companies in widely differing ways. A big cement producer like Lone Star had lower profits last year and cannot expect to do much better this year.

Textiles

TEXTILES IS a long-depressed sector which was brightened up recently by a couple of takeover manoeuvres involving Cannon Mills and Fieldcrest Mills. Modernisation, more automation and some lessening in imports competition has created some underlying improvement in the industry, but demand remains patchy, as do profits.

Motor industry

DETROIT lost over $4bn last year and will probably be collectively in the red again this year as car sales of domestic products continue to languish at a 6m-7m annual rate, compared with a good year of 9m. Imports are holding a record 27 per cent of the market.

Detroit, however, is now more than half-way through its vast $40bn re-tooling programme to produce fuel-efficient cars, although the strain involved has resulted in the Government rescue of Chrysler and the rescue by Renault of American Motors.

In trucks, White Motor has gone bankrupt, with Volvo negotiating to take over its truck business. Daimler-Benz has bought the truck business of Consolidated Freightways, joining Renault and MAN in contention in the U.S. truck scene.

Other newcomers to U.S. manufacturing are Nissan, which is building a light truck plant in Tennessee, and Honda, which has almost completed construction of a car plant in Ohio. The components suppliers have also been squeezed, although several of the leading ones (Rockwell, Eaton and TRW for example) have big and profitable interests outside the field.

Distilling

THIS IS another stagnant market where the leading companies manage quite nicely. A major trend is the growth of vodka consumption at the expense of whisky and a rapid increase (though not a distilled product of course) in wine sales. Brown-Forman, Heublein, and Seagram are doing well. Seagram also has about $4bn to spend on acquisitions, but has not yet found a willing target.

Railways

RAILWAYS HAVE benefited competitively from higher fuel costs for lorries and will soon start to enjoy benefits from partial deregulation of their own industry, with more freedom to change prices and get out of loss-making areas. Traffic, always tied very closely to economic growth, has also been better than forecast. Because many railways also have extensive natural resources interests, rail stocks have frequently been strong performers in the last year.

Electronics

ELECTRONICS IS generally in a period of cyclical weakness, especially in basic components such as semiconductors, where supply exceeds demand and prices have gone down sharply as a result. But unit sales are still growing, defence will help by next year and there is a tremendous vigour among new entrants.

The semiconductor companies' earnings (Texas Instruments, Intel, National Semiconductor, etc.) were down sharply in the first quarter for the most part.

In computers, the picture is generally one of steady but unspectacular progress. IBM came through last year's tricky economic waters with an 18 per cent profit increase and smaller word processing companies like Wang did even better.

In the office equipment sector, pitched battle is in progress in the small copier field with Japanese and their various U.S. partners heavily engaged. Savin is swapping Japanese Ricoh for Italian Olivetti, however.

A longer-range issue involves positioning for the office of the future battle (see telecommunications).

Tobacco

UNIT SALES of tobacco are stagnant or declining in the U.S., but the industry has enjoyed big gains in productivity and reasonable pricing to keep things buoyant. A good old fashioned marketing scrap is going on at the fast growing low-tar end of the market, but Philip Morris and Reynolds remain on top.

Machinery

A WIDE range of machinery products bespeaks a wide range of conditions. Many companies have strong ties to the energy industry, selling pumps, compressors and the like and are doing very well. Energy is also a plus for the engine manufacturers, who are, on the other hand, still coping with weak truck business. In machine tools, the rate of new orders peaked in March 1980, but a huge order book has kept the major companies fairly cheerful.

There is longer-range optimism about the benefits to the sector both of pressure to improve productivity, automation (several companies are heavily involved in robotics) and through the increased investment by industry in tools from better depreciation terms.

The farm machinery business, however, is back in the doldrums (apart from a slight hint of an improvement in tractor sales in April).

Construction machinery is even worse placed and a number of weaker competitors are struggling.

Aluminium

DEMAND FOR aluminium has been patchy of late and attempts to push through higher prices not altogether successful. The industry, however, has had great success in taking a big share of the can market, although it has been disappointed not to get more business from Detroit.

Chemicals

LAST YEAR'S export boom in chemicals has suffered both from weaker European economies and a stronger dollar, but the basic chemical producers have enjoyed adequate demand to keep earnings abreast of inflation. There has also been a continued trend to diversify both upstream into oil and downstream into fine chemicals and pharmaceuticals.

Plastics remains a weak area, because of the poor auto and housing market, but synthetic fibres after a shake-out last year at Monsanto, has started to show some improvement. Dupont, whose earnings have not been doing so well, has also been busily involved in placing itself to take a major part in the bio-engineering field.

The pharmaceuticals companies, which had a very good 1980, are also busy in the same business and are expected to be resistant to any bumps in the economy this year as they were last.

Commuters wait for a Burlington Northern R.R. train at Naperville, Illinois. Rail stocks have performed strongly in the past year.

David Buchan looks at the American regions and examines the consequences of the population drift from the Frostbelt to the Sunbelt

Pace of shift causes concern

LIFE IMITATES art, or at least the movies, and Americans are riding off into the sunset in ever greater numbers. The vogue talking point of the 1970s was the shift of individuals and industries from the North East and Midwest Frostbelt to the Sunbelt of the South and West, in search of warmth, fewer trade unions and more energy. The 1980 national census confirms the talk.

The 25 cities that grew fastest in the 1970s were all in the Sunbelt, 10 of them in Florida and five in Texas. The biggest gainer in population was the Houston metropolitan area (plus 900,000), and the biggest loser the New York area (minus 893,000).

The decennial census is the basis for calculating political power (the number of congressmen a State, area or city has in the U.S. House of Representatives) and Federal aid. Thus, last year's people count was doubly bad news for the seven of the 39 biggest cities which actually lost population between 1970-1980. All in the Frostbelt, they were New York, Philadelphia, St Louis, Pittsburgh, Cleveland, Milwaukee, and Buffalo.

The pace of these shifts is cause for concern for everyone. Admittedly, some of the Sunbelt areas which have shown the biggest population increases (the number of people in Nevada rose 64 per cent in the 1970s) had relatively few inhabitants to begin with.

Faster growth

A second distinctive phenomenon of the 1970s, too, helped soften or spread the impact of the population changes. This was that, for the first time since 1820, rural areas grew faster than cities or suburbs nationally. The overall growth for the nation was 10.8 per cent—8.1 per cent in metropolitan areas and 15.4 per cent outside them.

This did not mean people were going back to farming. On the contrary, the agricultural work force continued to fall. Rather, business has tended to locate in suburbs or the countryside, not city centres, and as this has happened individuals have found it pleasanter and often easier to commute along increasingly good roads from homes in the country. In addition, there are more retired people who want to live in the country.

However, it is not only the Frostbelt politicians who are anxious about the south and westward drift and denuding of the old industrial cities and areas. Some of the more thoughtful Sunbelters, like Governor Richard Lamm of Colorado, worry about what they are gaining. They have seen "boom and bust" developments of their region before, only it is now coal, oils, shale, and uranium, instead of gold and, above all, they wonder whether the West has enough water to sustain many more people and industries.

Ronald Reagan rode the "Sagebrush Rebellion" — the quest by Westerners to take over from the Federal Government control of the forests, energy and minerals in the West—into the White House. The President dresses (off duty) like a Westerner and behaves like one, and his philosophy of government—the less the better—is very Western. But one day this could backfire, if Westerners find new development takes all their water.

No government could, even if it wanted to, stem the flow of people and resources to the Sunbelt completely. Although the Frostbelt has recently seen some surprising areas of growth (for instance microelectronics in New England), the general trend of the 1970s seems likely to continue this decade. Population and employment are expected to grow faster in the South and West, thus providing industries with market and labour force. Sunbelt wages are likely to rise less fast (and from a lower level) than elsewhere, partly because union organisers have still made few inroads. But that may attract more industry, too.

But the speed and magnitude of the shift to the South and West are not necessarily preordained. In January a presidential commission recommended that the Federal Government could, and should, do nothing to influence this trend. This raised a lot of hackles, including those of Jimmy Carter who, just before he left office, publicly disavowed this recommendation of the commission that he had earlier named.

In fact the laissez-faire approach is right in tune with Mr Reagan's views. Indeed he has been accused by congressmen from the Midwest and North East of adopting policies which favour the Sunbelt.

The Reagan Administration has stoutly maintained its economic programme is neutral as between regions of the country. It argues that while its social service cutbacks hit the North East and Midwest hardest, its planned income tax cuts would benefit these same regions most since their incomes are highest. The result is geographically pretty even, it claims.

But there is one glaring omission from this calculation by the Office of Management and Budget: defence budget increases. Most of the big defence contractors are in the South (Lockheed in Georgia) or the West (Boeing in Washington State).

Tensions increased

A natural effect of President Reagan's February decision to decontrol domestic oil prices has been to fill the coffers of oil-producing states, all of course in the South or West: Texas, Oklahoma, Louisiana, and Alaska.

Perhaps unwittingly, Mr Aeagan has helped to increase already growing tensions between rich energy — producing part of the country, and poorer energy-consuming regions.

One symptom of these regional frictions has been the legal tug-of-wars over attempts by states like Louisiana and Montana to tax their gas or coal shipments to other states. There is some ground on both sides: Louisiana can argue it should be recompensed for the way drills and pipelines have messed up its environment by states who have escaped this; consuming states can reasonably object they should not be taxed by other states. Last month the Supreme Court ruled against Louisiana's tax on natural gas. But since this levy had one or two very weak points — it was imposed on gas originating from federally controlled offshore fields in the Gulf — the ruling may not have been definitive on other state energy taxes. The Supreme Court has yet to rule on Montana's severance tax on coal.

It is also argued that the Reagan Administration's planned tax breaks for business will if anything speed up the shift south and west. The Administration is asking Congress to accelerate the timetable over which companies can write off against their taxable income new investment. The basic plan is to allow depreciation of fixed plant over 10 years, equipment five, and vehicles three years.

The complaint is that this gives companies every incentive to build new plants and not to rehabilitate old ones — unlike the tax plan proposed by former President Carter last September which would have targeted some tax breaks to specially depressed areas, mostly in the frostbelt of course.

The historic role of the Federal Government has been as equaliser between the states, assuring citizens that, no matter how poorly endowed their region, they would get certain common standards of care and service. But President Reagan wants to hand back responsibility, and in some measure money, to the states. His "new federalism" may, again, operate to the detriment of the frostbelt states with fewer resources to fall back on and more social problems.

With obvious exceptions like Alaska, which instead of collecting income taxes is now paying its citizens oil "dividends," the states are generally in worse shape than a couple of years ago to take on fresh burdens.

Though Mr. Reagan has promised to start turning federal tax sources to the states one day, his immediate move has been to propose a 25 per cent cut in federal aid to states, counties and cities in the 1981-1982 budget. At the same time he has promised to try to consolidate some 500 categorical programmes that make up nearly $90bn in Federal aid (the level in 1979-80).

For Mr. Reagan this kills two birds, cutting the federal role and budget together. State governors, too, have long fumed against the endless strings which Washington has tied to its aid.

But they now stand a good chance of getting the worst of both worlds: A 25 per cent cut which was more than they bargained for, and no increase in flexibility on the use of the money, because Congress wants to keep the strings attached.

Area of booming business

THE SUNBELT—that long area which stretches from Southern California to Florida—is atypical of the conventional picture of the current state of the U.S. economy as a whole. While many parts of the country, in particular the traditional industrial centres like Detroit and Pittsburgh, have been struggling in the face of acute economic and financial pressures, business and economic growth has been booming in several parts of the Sunbelt.

The Sunbelt states have continued to attract industry and people at an extraordinary rate. Indeed, for the first time in the history of the U.S., the majority of the country's population now resides or is employed in the South or the West. And according to the Texas Commerce Bancshares economics department, the 1980s promise to bring additional economic gains to the Sunbelt.

"Being recently industrialised, the Sunbelt is where the most efficient and modern plants in many industries are located. Suppliers of intermediate goods to these new facilities as well as consumers of their output will be drawn to the Sunbelt in increasing numbers," the report notes.

THE SUNBELT

PAUL BETTS

In Texas, and the city of Houston, growth during the past decade has been exceptional even on the standards of the Sunbelt. The state's favourable investment climate which has drawn a growing number of manufacturers, its position as the leading oil gas producing state, coupled with the size and strategic location of Texas have ensured the continuing economic buoyancy of the Sunbelt's largest state.

But this impressive record, which among other things has seen the population of Texas increase by more than 2m in barely 10 years, is not only based on the state's rich energy resources. Indeed, Houston has now become the so-called "energy capital of the world" with 34 of the country's 35 major oil companies with headquarters or important divisions in the Texas Gulf Coast city. The state's high productivity and favourable labour relations have led to the development of a strong electronics and manufacturing industry alongside the state's more traditional role as a major technological centre for the international oil industry.

In many respects, Houston is an international city before being an American one. Any traveller arriving at the city's international airport is likely to hear French and Japanese spoken before he hears a Texas accent. The fact is that Houston and the whole Texas Gulf Coast area for that matter has become one of the prime targets of foreign investment in the U.S.

The construction and real estate market is, along with Los Angeles and New York, among the strongest in the U.S. Much of the city's newest property is in the hands of European investors, including large pension funds, banks and other institutions.

But if Houston and Texas in general have enjoyed a remarkable phase of expansion and development, growth has also caused the Florida Peninsula rapidly to become a major financial centre. Together with the expanding role of banking in Florida, the state has continued to thrive on tourism and as the haven for the retired in America.

In turn this has helped boost the strength of the local service industry, manufacturing and foreign investment.

Louisiana too has enjoyed something of a revival in recent years as a result of the boom in oil and gas exploration and development in the Gulf of Mexico. Drilling for oil and gas is now at an all time high and with the recent decontrol of domestic oil prices and the Reagan Administration's push for stepped-up domestic energy development, Louisiana, like Texas, should continue to enjoy notable growth in the 1980s.

Nonetheless, economists warn that though the economies of the Sunbelt states—especially Texas—are expected to continue to outperform the U.S. average, there could be a pause of sorts in the exceptional growth rates of the last decade. This will reflect the general outlook of the U.S. economy as a whole and the fact that the Sunbelt cannot be viewed entirely out of the context of the national economy.

Cuts start to tell

CALIFORNIA HAS long promoted itself as the home of tomorrow's technology and tomorrow's lifestyles, but in the past couple of years the nation's most economically potent state has also become the proving ground for an experiment in economics and fiscal policy.

With the passage of the famous Proposition 13 ballot in July 1978, Californians cut their property taxes in half and set the stage for a period of decline in the level of government in the state, a form of "supply-side" economics of the type now being tested at the national level by President Reagan who is, it is no coincidence, a former governor of California.

Three years down the road, Proposition 13 is still the source of heated debate in California and its impact upon the investment climate promises to be more significant in the next three years than in the past three years.

Initially, the impact of a dramatic cut in taxation was softened because the state Government, which was carrying a huge surplus at the time of the ballot (one reason for the overwhelming vote in favour of the proposition), has used its excess funds to bail out local governments which would otherwise have been forced to cut services. This year, however, those service cuts in education, libraries and other publicly funded amenities have started to be felt.

Likewise, the strain has started to tell at the political level, with much talk in Sacramento, the state capital, of fiscal crisis. According to Mr Eric Thor, senior economist with the Bank of America, however, this year's $24.5bn state budget amounts less to a crisis that a 10 per cent cut in state Government purchasing power.

But there is no doubt too that some of the effects desired have been achieved. The number of Government employees per 1,000 population, according to a Security Pacific Bank study, has declined from a peak of almost 65 in 1977 to about 62 now, still above the national average of 59 but getting closer. The overall level of taxes in the state fell from 27 per cent above the national average in 1977 to only 1 per cent above that norm in 1978-79.

According to the State Government, the effect of Proposition 13 has been to raise California's ranking as an attractive place for investment from 45 out of 50 states to 30, using as the basis for assessment the criteria adopted in a nationwide study by Alexander Grant, the accounting firm.

CALIFORNIA

IAN HARGREAVES

Last year, Governor Jerry Brown, as part of a sustained campaign i nthe last year to improve his standing in the business community, also announced a $22.6m programme to aid small, innovative companies of the kind the state has traditionally nurtured.

It is still probably too early to say whether Proposition 13 has had an impact upon investment in the state, partly because the stae, partly because the state maintained throughout the 1970s a hectic pace of growth in spite of its taxation burdens.

But economists have little doubt that California is position to grow at well above the national average in the 1980s. Its three main industries—agriculture, electronics and defence—are for different reasons all boom sectors. Even entertainment, with its Hollywood base, is enjoying a renaissance because of the mushrooming of pay television. International trade, primarily with the Pacific aBsin, is another source of great economic strength, having increased by over 70 per cent inside two years.

Given this continued expectation of torrid growth, it is not surprising that most of the discussion of economic "problems" in the Californian context are not those of recession or even unemployment (now expected to remain under the national average) but of inflation, which at 15.5 per cent in the state exceeds the nation's increase in consumer prices by 2.2 per cent.

But even more than inflation, the talk is of infrastructure.

The most obvious problem is housing. The state is short of 400,000 homes and high interest rates, which have made mortgage business unattractive to lenders because of restrictions in mortgage rate levels only now starting to be rescinded, have helped to ensure a consistent level of underbuilding to meet demand.

Inevitably this has pushed prices up, to make the median priced family house in California now almost $180,000, against a national median of under $70,000. The situation is not so bad in the commercial and industrial sphere, although there is a critical shortage of space in major centres such as San Francisco and Los Angeles.

Other areas of anxiety are in water and power supply, where a decade of restrictive planning decisions has threatened to make California the first state in the union to face an actual energy crunch.

These are the kind of problems which the governors of Michigan or Ohio would love to be dealing with, rather than the difficulties of an eroding economic base. For California, the question is how to deal with common needs in infrastructure with a declining common purse.

The answer in a world of Reaganomics is to let the private sector do the job. That is the challenge to state business in the 1980s.

Remarkable buoyancy

THE RECENT return of New York, America's largest city, to the bond markets after six years of near bankruptcy was a historic moment: it showed that a combination of toughmindedness at City Hall and a helping hand from Washington could overcome the worst financial disaster that any U.S. city has yet encountered.

In many respects, the celebrations may have been premature, however. Mayor Ed Koch's near-miraculous balancing of the budget this year was only achieved at enormous cost in terms of reduced services and delayed capital expenditures which will take their toll on the city in other ways.

It is also clear that future budgets will be much harder to balance because the possibilities for increasing revenues are limited while the demands on expenditure continue to grow. The taxable base has been seriously eroded as whole neighbourhoods are abandoned, and that which is left is being taxed to the limit. On the the other hand, New York cannot put off for much longer vital work on roads, sewers, bridges and the transport system.

NEW YORK

DAVID LASCELLES

The budget is further threatened by the Reagan Administration's determination to cut back Federal subsidies and social services. If New York's problems are extrapolated to include those of other hard-pressed cities like Baltimore, Boston, Detroit and Chicago, the political consequences of the Reagan axe could be serious indeed.

Having said that, however, the remarkable thing about New York's economy is its buoyancy. It withstood last year's recession far better than the two previous ones and although unemployment is above the national average, it is fairly steady, and employment is rising.

For this, New York can thank the huge growth in service industries: tourism, financial services and commerce, which have in turn sparked off a boom in construction of hotels and office buildings on an unprecedented scale.

In a recent study of New York's economy, the Federal Reserve Bank of New York took a highly cautious view of the outlook. Its author, Rona Stein, agreed that there had been evidence of an improvement, and that some sectors of the city's economy had done better than the national average. But she singled out several reasons why longer-term prospects remain clouded: the acceleration in wage costs which is threatening the city's competitive position, the very high level of local energy costs (more than twice the national average) and the poor state of the city's infrastructure.

"Complacency based on misplaced optimism would be serious mistake at this critical point," she concluded.

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Investors not deterred by fluctuating interest rates

FOREIGN INVESTMENT
IAN HARGREAVES

ZIGZAGGING INTEREST rates and unstable foreign exchange parities have done nothing in the last couple of years to slow down the pace of foreign investment in the U.S. New records were set last year for foreign activity in the U.S. financial markets, there is a continuing boom in foreign purchases of property and no shortage of more general acquisitions and expansions by foreign companies in the U.S.

Activity in the financial markets is well documented and not too difficult to explain. With dull markets at home, foreign investors bought $75bn worth of U.S. equities, a 72 per cent increase on the year before. Net purchases (arrived at after deducting sales of equities by foreigners) were $5.2bn, above the 1975 peak of $4.7bn.

The pace of growth of foreign activity in the stock market, needless to say, was a good deal greater than the growth of volume in the markets overall—reflecting favourable dollar exchange rates for most European countries.

The UK was by far the largest single net investor, with portfolio managers enjoying increased freedom after the scrapping of exchange controls in late 1979. UK net investment in stocks was $2.5bn, up from $864m, according to figures from the Securities Industry Association (SIA). Gross activity rose from $6.9bn to $12.4bn.

Swiss investors, the biggest in gross terms but net sellers for the past few years, turned depositive again in 1980, with net purchases of $307m on gross of $12.45bn. Dutch and other Low Country investors were marginally net sellers, whereas France (net purchases of $479m, up from $123m) and West Germany (net purchases of $183m compared with net sales of $221m in 1979) increased their commitments in the U.S.

Japanese investors were net sellers in 1980 and are fairly small, although growing, in terms of the overall picture.

The German and Japanese examples illustrate the point that investment trends, once they gain momentum, are not easily arrested by currency fluctuations, a point which is of interest in the context of the recent very sharp appreciation of the dollar against the French franc and the D-Mark.

Although European currencies may be weakening, the high interest rates which have driven the dollar to such peaks remain an attractive feature for investments in short-term U.S. Government securities. Foreign net purchases of U.S. Treasury notes and bonds in 1980 increased by 80 per cent to $4.9bn, increasing total foreign holdings by 11 per cent to almost $51bn. Even the U.S. corporate bond market, a graveyard for large parts of 1980, attracted increased foreign activity, up 59 per cent in 1980 to $8.2bn gross purchases and $2.8bn net.

One other interesting point to emerge from the SIA figures is a sharp increase in OPEC country investment in the U.S. equity markets—a development long anticipated although the scale of involvement remains small by European standards. Bahrain, Iran, Iraq, Kuwait, Oman, Saudi Arabia and the United Arab Emirates together made net purchases of $1.1bn last year, up from $658m. This represented a move, evident in Arab investment activities in Europe, towards more risk-oriented activities, although this group of countries continued to be a very large factor in the risk-free U.S. Treasury note and bond market, too, with holdings of $15.86bn in 1980, almost double the 1979 level, and very nearly as large as the whole of Europe combined.

Soaring rents

The other rapidly growing area of involvement in the U.S. economy by the private investor and the institutions is in property, where soaring office rents in major urban centres (notably New York, Washington, Miami, Houston, San Francisco and Los Angeles) have greatly improved yields.

There is a shortage of up-to-date statistics in this area, but the fact that a number of the bidders for the $1.6bn New York World Trade Centre are foreign illustrates the point. Sig Giorgio Laurenti, who runs Overseas Trust Investment Capital, one of numerous property advisory services which have sprung up to meet the needs of foreign investors, says there is a huge market for channelling funds of even quite small European investors into shopping centres, condominium and office block developments.

Investment in farmland has also been much talked about, although it is less popular with some investors because of strict public disclosure requirements. There was also a political hue and cry last year about the alleged loss of the American homeland to foreign business types, but closer investigation by the Agriculture Department established that by the end of last year foreigners owned just 0.6 per cent, or 7.8m acres, of U.S. farmland. That comforting figure does conceal, however, a fairly sharp growth trend, with a 2.2m rise in acreage since the report a year earlier. The Department cautions, though, that the increase partly reflects late reporting of earlier transactions rather than such a massive increase in purchases in 1980.

The row over farmland is typical of the kind of sectoral squabble which occasionally occurs over the subject of foreign investment in a country which in general offers fewer restrictions to foreign participation than any other. Shortly after Midland Bank announced its partial bid for Crocker Bank of California last year there was a resurgence of Congressional calls for a moratorium on foreign bank takeovers from the "small is beautiful" bank lobby in Congress.

For the most part, however, Governments at both State and the Federal level are keen to encourage foreign investment, especially when it creates jobs and diversity in local economies.

The commerce Department has not yet published its 1980 figures for foreign investment but it is expected that the pace of growth, which produced a 23 per cent overall increase in 1979, will have been maintained. The total direct investment position for that year was $52.3bn.

The Commerce Department has, however, started to do more analysis of foreign-owned business development in the U.S. and a report published earlier this year said that foreigners acquired 792 businesses in the U.S. at a cost of $11.5bn in 1979, the highlight being the Shell Oil-Belridge Oil deal.

Among the patterns to emerge from the study are the fact that most businesses bought were in a weak financial state, averaging only a 2 per cent net return on sales and with aggregate debt of $13.75bn against equity of $7.2bn. The biggest sectors for purchase were in oil ($3.98bn) and manufacturing ($2.7bn). Within manufacturing, Chemicals accounted for $546m and electrical and electronic equipment $632m. Retail trade also continued to be significant, with $409m. By countries, the breakdown was Canada $426m, Germany $1.76bn, UK $1.9bn, Netherlands $4.7bn (because of Shell), Switzerland $611m, France $205m and Japan $196m.

High technology

The picture which emerges, both in business acquisitions and equity market activity, is of Europeans and Japanese interests primarily viewing the U.S. as a good location for investment in high technology areas (Siemens, for example, has bought up several small R and D-intensive entrepreneurial companies) and natural resources. The latter area has been especially important for chemical industry investment, which has been considerable, especially for the Germans, and more recently in coal.

For the Japanese, who remain a relatively small player in the game, there is an even bigger motivation—to take root in U.S. soil at either the threat or actuality of import restrictions.

A recent study by the Japan Economic Institute of America found that Japanese direct investment in the U.S. multiplied 11-fold in the 1970s to $31.8bn, leading to Japanese control of 213 manufacturing companies in the U.S. by the end of 1980. Only 12 of these existed in 1970.

The import restrictions threat was crucial in some of the major decisions: the major TV set manufacturers, all now represented, the semi-conductor companies, the bearing manufacturers and most recently the motor companies are examples.

But the big difference between Japanese and European investment has been the Japanese preference to build new plants rather than acquire

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Property offers hedge against inflation

REAL ESTATE
IAN HARGREAVES

THE NUMBER of nail-biters may be increasing, but so far there is no evidence to suggest that the remarkable boom in the U.S. commercial and industrial property markets in the past three years is about to come to an end.

Everyone, it seems, is grabbing a slice of the action. According to Mr William Bahrenburg, president of Brooks, Harvey, the real estate subsidiary of Morgan Stanley, U.S. pension funds will increase their real estate investments from less than 2 per cent of assets today to as much as 15 per cent by the end of the 1980s.

Life insurance companies are pouring $2.5bn a year into property and foreign pension funds are estimated to be spending another $1bn a year, with another $1bn coming from smaller investors and partnerships.

The prize which has attracted the rush is an investment deemed to be working, unlike stocks and bonds, as an effective long-term hedge against inflation. Changes in U.S. law which allowed pension funds to join in the action also helped the stampede.

In every major city in the U.S., the boom is a major talking point. Office rents in midtown Manhattan have hit almost $60 per square foot, the vacancy rate in San Francisco is under 1 per cent, rents have gone up by 85 per cent in downtown Washington DC, not long ago a real estate wasteland.

Even the world trade towers, owned by the Port Authority of New York and New Jersey and the biggest buildings in New York, a pair of white elephants for most of their decade-long history, have suddenly become hot property and the authorities are considering whether to sell them for $1.6bn. There is no shortage of interested parties, among them some foreign investors.

Landauer Associates, which is advising the port authority on the World Trade Centre deal, also last year sold the Pan American building on Park Avenue for $400m and has recently taken the General Motors Tower on to its books. For a company like GM, cash in hand and a lease-back of space seems a good deal in today's conditions.

For the foreign investor and the huge raft of advisory services which has floated to the surface to guide him through the market, the attraction is a series of basic yields considered high by European Standards. On an all-cash basis, leased at current market rentals, returns for prime properties are averaging about 8 per cent for offices and prime retailing sites and about 9 per cent for industrial properties.

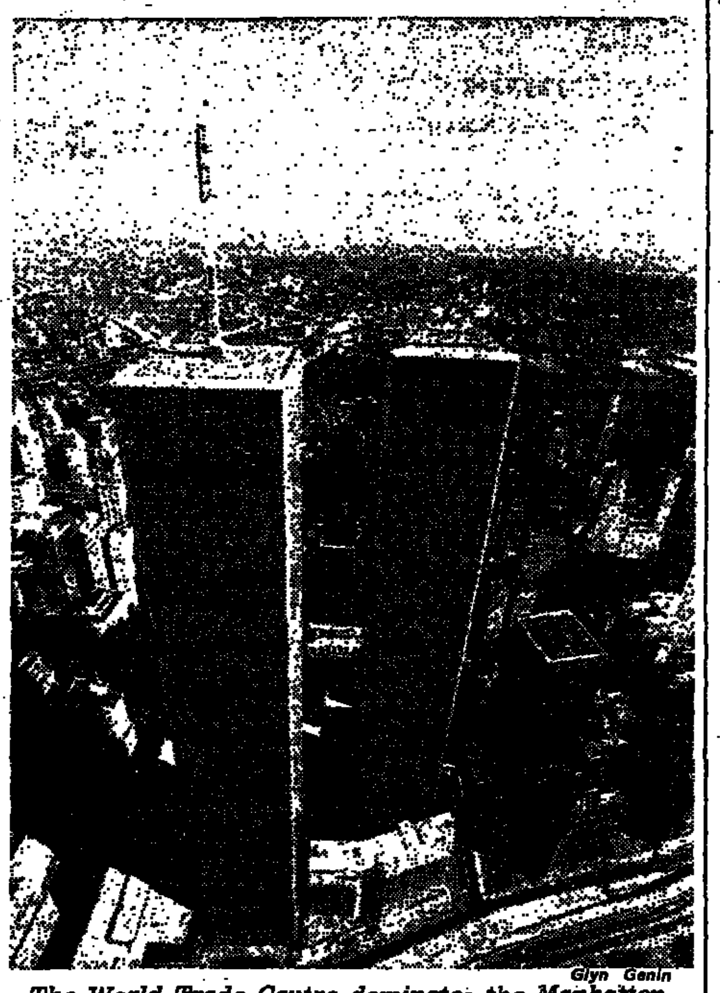
The trick in many deals, however, is to factor in assumptions about rent increases which become possible as leases expire, creating in the case of the World Trade Centre, for example, a discounted internal rate of return of 13 per cent. The current average rent in the 9.5m sq ft of office space is about $12 a square foot, compared with a going market rate of $28 a square foot.

How long?

The question which always arises with real estate, though, is how long can it last? Some American financial institutions have not long overcome the financial problems which they took on board after the property crash which followed the 1973-1974 recession, a debacle which had a serious impact upon cities like Atlanta in the now-booming south.

That created a wariness about vast speculative projects which takes time to disappear, although as the returns from property projects improve, disappear it does. Real estate people talk this time around of protecting themsleves by choosing larger, more solid partners, but if demand were to collapse, there would do doubt be the usual crop of casualties.

It is certainly arguable in some markets that overbuilding has started to occur. In downtown Manhattan, for example, where the World Trade Centre is, an extra 10m to 15m sq ft of space will come on stream in the next five years. Traditionally, the U.S. property market, because of more lax planning rules and a greater availability of land (outside of the San



Glyn Genin

The World Trade Centre dominates the Manhatten skyline. The twin towers may soon be on the market for $1.6bn

Franciscos and Manhattans) has created greater volatility in the property business cycle.

None of this, however, is preventing the big institutions from wading in deep. The trend is for these institutions to take equity stakes in the buildings they are funding to share in the advantage of the capital appreciation of the asset, which is the primary attraction of the sector.

On the cash-flow side, efforts are also increasing by developers and landlords to negotiate leases which offer more frequent reviews, inflation-indexed-components and other benefits for the investor. Likewise, the days of leases which include the price of all utilities are disappearing.

For the smaller investor, American or foreign, there is a host of tempting projects, ranging from straightforward land speculation deals, packaged by companies which buy parcels of land in an area of a city like, say, Houston, in the hope that the land will find itself in the path of development.

Ranch properties and farmland are also popular with some strict disclosure requirements on farmland deals which put off some buyers.

A series of new tax laws on foreign real estate holders which became effective last year does not appear to have created significant problems. Indeed a recent study by Price Waterhouse, the accountants, claimed that various deductions, credits and accounting methods "can significantly reduce or even eliminate U.S. tax on the annual operating income from the property."

The one area where there is not much mileage for the outside investor is in residential housing, except for in certain very specialised markets, such as Manhattan, where the day of the million dollar apartment is well-established and the $2m apartment not far off.

Although home ownership is increasingly recognised as a desirable inflation hedge by Americans, the labryrinth of financing problems in a country where the mortgage lending industry is only just adapting (or being allowed to adapt) to an inflationary world, is formidable and complex.

Most major cities also still create problems for the apartment block landlord with rent controls and, at least in the opinion of some experts, the basic American suburban home is not likely to enjoy anything like the rate of appreciation seen for office space and that is not to mention the substantial parts of the Northern U.S., where migration and a deteriorating economic base has created a surplus of homes and held down or even reduced prices.

Geoffrey Owen examines the advantages and the drawbacks of establishing a presence in the United States

A fashion that could be pushed too far

MAKING ACQUISITIONS in the U.S. has become for European companies the fashionable thing to do. As with most fashions, there is a danger that this one will be pushed too far. The U.S. is certainly an attractive market, but by no means an easy one; some of the newcomers may be under-estimating the difficulties. There is a tempting notion that by investing in the U.S., European companies can escape from, or at least minimise, the difficulties they face at home; the consequence, if they are not careful, will be to lose out at both ends.

The motives for going to the U.S. are various. For some there is a straightforward fear of socialism, a belief that only in the U.S. is capitalism alive and well; the plethora of regulations which restrict the freedom of American companies is conveniently glossed over. There is an impression that trade unions in the U.S. are either less powerful or less obstructive than in Europe, a view that might be questioned by executives at International Harvester, which took on its union in a long and costly strike, and paid heavily for it.

A more valid arguement is that the U.S. provides a large, homogenous, tariff-free market—exactly the kind of market which the European Community was supposed to have become; unfortunately nationalism, notably in the form of non-tariff barriers to trade, has so far prevented the EEC from realising its full potential.

Most European manufacturers are dependent to a greater or lesser degree on exoprts—because their home market is not big enough to permit the necessary economies of scale. In a world of fluctuating exchange rates and political instability the risks of over-reliance on exports appear to have increased in the last few years—hence the appeal of a U.S. business which does not need to sell outside its home territory.

The appeal is understandable, but the U.S. is well equipped with strong, well-managed indigenous companies. The foreign investor has to ask himself what he is bringing to the U.S. which will enable him to survive and prosper in a highly competitive environment.

The rush of European companies to the U.S. over the last few years is somewhat reminiscent of the period just before and after the UK's accession to the EEC, when any British companies were making acquisitions on the Continent. The idea was that, having traditionally neglected the Continent in favour of Commonwealth and other markets, they should make up for lost time by buying an established business which would constitute the base for expansion in the EEC.

In their haste to get established some companies chose unwisely and their acquisitions subsequently had to be closed or sold off. The difference between British and Continental markets and business practices were not taken sufficiently into account. Of course some of the investments made in the late 1960s and early 1970s have paid off well

The same point can be made about the wave of American companies which made acquisitions in Europe during the same period, again to take advantage of the expansion of the Common Market. A good many of these investments proved unsuccessful; in the last few years there has been a number of well-publicised divestments of European subsidiaries by American parent companies, prompting much comment about a "retreat to the U.S."

The retreat has sometimes been explained by reference to precisely those factors which are now said to be causing European companies to invest in the U.S.—the advance of the welfare state, over-strong unions, too much socialism and so on. Yet the main reason for the divestments has been either that the acquisition was not a very good one in the first place or that the Americans have not been very clever at managing their European subsidiaries; moving into Europe was not as easy as they had imagined.

Those American companies which invested wisely, whether through acquisition or by putting up their own plants, have done extremely well; there is no evidence that companies like IBM or Caterpillar are withdrawing to the last bastion of capitalism. For the well-run company with good products and effective marketing, Western Europe still provides plenty of scope for profitable growth.

Indeed in manufacturing industry the problems and opportunities are remarkably similar on both sides of the Atlantic. Industry in Western Europe and the U.S. is faced with the urgent need to make a big push forward in productivity, involving drastic changes in products, manufacturing processes and working practices. This readjustment, brought on in part by competition from Japan and the newly industrialising countries, poses a formidable challenge to management.

There are no grounds for supposing that the Americans are necessarily better equipped than the Europeans to meet the challenge; indeed in one important aspect of the readjustment—the development of a more "participative" relationship between labour and management—several European countries are well ahead of the U.S.

The euphoria about the joys of doing business in the U.S. needs to be qualified; it is not as easy as all that. Like the Americans who invested in Europe over the past two decades, the survivors will be those whose products and management skills give them an edge over the local competition.

For the research-intensive company, investing in the U.S. has the special merit of enabling it to exploit the results of its research over a wider field; there is the further advantage of gaining direct access to American technology which can be applied in other parts of the business.

There are strong arguments for a U.S.-based business which is complementary to the home base, so that the two operations mutually reinforce each other. Some companies/ in their enthusiasm for expanding in the U.S., may be in danger of neglecting the health of their traditional activities.

The U.S. is a tough and sophisticated market—and it is very different from Europe and Japan. The newcomer should be wary about imposing his own management style on the American subsidiary—although some Japanese companies have apparently succeeded in blending the best of two cultures. The rewards from investing in the U.S. can be impressive, but the learning process is sometimes long and costly.

Undeterred

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U.S. companies for their production bases. Two-thirds of the 213 Japanese projects identified in the study were new investments.

Probably the biggest single Japanese investment is Alumax—a joint venture between Amax, Mitsui and Nippon Steel to make aluminium—which has 50 plants. Some other recent expansions or newcomers are Suntory, which has bought out Pepcom, a substantial soft drinks company, the motor plant investments of Honda and Nissan plus the possible Ford-Toyota joint venture, Fujitsu's link with TRW to market computers, plus its own purchase of a stake in Amdahl, a small computer company.

Europeans have not shown such caution about taking on lock, stock and barrel American-run and manned plants. The breadth of acquisition has been remarkable. Banks and financial institutions have been popular, in readiness for the probable legislation of interstate banking in the U.S.; natural resources (Sohio-Kennecott or Saabergwerke's bid for some ashland coal are examples); publishing (Bertelsmann of Germany and Thomson of Canada have both made purchases); retailing (Tengelmann increasing its grip on A and P, although Agache-Willot ran into trouble with Korvettes); trucks and buses (Daimler-Benz, Volvo, Man and Renault in or on the way); Electronics (lots of rather small deals involving companies like Siemens, Olivetti) and hotels/entertainment (Imperial / Howard Johnson the big deal but also lots of smaller ones, such as the purchase by Swissair of the Drake Hotel in New York).

There are even some areas, such as cement (Heidelberger Zement took over Atlas, part of U.S. Steel) where U.S. government policy seems to encourage foreign investment in so far that anti-trust law has discouraged further consolidation by the big U.S. companies.

In some areas Americans are surprised by the optimism of the Europeans in their U.S. ventures. This is true of buses, for example, long a poor area for domestic manufacturers, or even of food retailing, which is now estimated to be 10 per cent European - controlled despite chronically low returns and over-capacity.

But the attractions remain persuasive: a huge market, a fundamentally unrivalled economy and a wide degree of freedom. The foreign investment boom is unlikely to slow down.

The foreign takeovers spree—some examples

FOREIGN INVESTOR	U.S. COMPANY	TERMS OF DEAL	STATUS OF DEAL
UK			
Butler Shoe division of Sears Holding	Zale Corporation's Footwear Group	$100m	Acquired
Extel	Digital Micro Systems (manufacturer of desk top computers)	$2.2m	Acquired 60 per cent
Grand Metropolitan	Liggett Group (maker of Spirits, Wines, soft drinks, cigarettes, tobacco, sporting goods)	$570m	Acquired
Thomas Tilling (industrial holding company)	Spindletop Electrical Distribution company	$2m	Acquired
Thomas Tilling (industrial holding company)	U.S. Supply Company (manufacturer of plumbing and heating equipment)	$17.4m	Acquired
Thomas Tilling (industrial holding company)	Hinkleys and Sevenoaks Brickworks (two privately owned sand quarrying companies)	$25m	Acquired
Thomas Tilling (industrial holding company)	Bourns Medical Systems, Incorporated	$8.5m	Agreement in principle
Thomas Tilling (industrial holding company)	Electrical Supplies Distributing Company	$20m	Proposed acquisition
Midland Bank	Crocker National Corporation	$830m for 57% ownership	Pending Federal Reserve approval
Barclays Bank	Aetna Business Credit, Incorporated.	$165m	Acquired
Cavenham (foods manufacturer and retailer)	Diamond International (packaging materials)	$105m	24 per cent acquired
Imperial Group (manufacturer of cigarettes and other diversified products)	Howard Johnson	$630m	Acquired
Lex Services Group (diversified)	Schweber Electronic Corporation (electronic components and distribution concern)	$48.75m	Proposed acquisition
GEC	Picker (subsidiary RCA corporation) ($500m in annual sales)	Est. $150m	Acquired
Standard Oil of Ohio (in which British Petroleum owns controlling interest)	Kennecott Corporation	$1.77bn	Acquisition subject to FTC ruling
Consolidated Gold Fields	Newmont Mining	$108m	81 per cent of stock acquired
Consolidated Gold Fields	1. Skytop Brewster Company (drilling and well servicing rigs) 2. King Oil Tools, Incorporated (oil field equipment) 3. Seal and Service, Incorporated (seals for the oil and petrochemical industry)	$62.3m	Acquired
United Biscuits (Holdings)	Ready Crust division of Ward Foods	$3.7m (approx.)	Acquired
Northern Foods	Bluebird, Incorporated (ham producer and processor)	$72m	Acquired
Guardian Royal Exchange Assurance	Midwestern Fidelity Corporation (property-casualty insurance holding company)	$45.9m (estimate)	Acquired 93.4 per cent stake. Offered to buy remaining 6.6 per cent.
Barclays Bank	138 consumer finance officers of Beneficial Corporation	$190m (approx.)	Definitive agreement for purchase
Laird Group	New York Twist Drill Corporation (industrial drills and small cutting tools)	$52.5m	Acquired
Northern Engineering Industries	Extel Corporation (teleprinters and other communications equipment)	$21.2m (approx.)	64 per cent stake acquired
Hepworth Ceramic Holdings	Western Plastics Corporation (plastic pipe and related products)	$29.8m	Acquired more than 99 per cent of outstanding common stock.
Sedgwick Group	Alexander and Alexander Services Incorporated (insurance broking)	terms not disclosed	Agreed in principle to merge. Completion expected by January 1982. (Joint venture.)
Stewart Wrightson Holdings	Calvert Fire Insurance Company (property and casualty insurance company)	$6.55m	Acquired
GEC	Scriptomatic, Incorporated (office equipment)	$26.8m	Acquired
Hawker Siddeley Group	Fasco Industries, Incorporated (fractional horsepower electric motors)	$100m (approx.)	Acquired
Heron International	Pima Savings and Loan Association Tuscon, Arizona (house mortgage company)		Acquired
Charterhouse Group	PRF Corporation (home furnishings)	$30.5m	Signed agreement to sell most of its assets.
Tunnel Holdings	Alcolac, Incorporated (speciality chemicals)	$23.7m (approx.)	50.25 per cent holding
Thomas Tilling	Hudson River Aggregates Incorporated (rock quarries)	$14.8m	Certain assets acquired
Hanson Trust	McDonough Company (shoes, hand tools and building materials)	$152.4m (approx.)	Acquired
Brent Chemicals International	Struffen Chemicals (cut-based chemicals systems division)	terms not disclosed	Acquired
The Burmah Oil Company	Bray Oil Company, Incorporated and Bray Processing (specialised and synthetic lubricants and feed stocks)	terms not disclosed	Agreement in principle
SWEDEN			
ASAB (sub. Electrolux)	Rollins Building Services (subsidiary Rollins Group) (annual sales $19.35m)	terms not disclosed	Acquired
Kema Nobel Group	Union Carbide	joint venture $80m for new plant to produce polyethylene	
Volvo	White Motor's heavy duty truck operations	$100m est.	Pending
Saab Scania	Fairchild Industries	will spend $30m	Joint venture to build plant to produce airplanes
SWITZERLAND			
Swiss Reinsurance Company Zurich Insurance Company	Fidelity and Deposit Company	$135m	Acquired
CANADA			
Consortium led by: Shieldings Investments of Canada Elken-Spigerverket of Norway	Union Carbide's nine Ferro-alloy plants and part of its metals business	$285m	Acquired
Rogers Telecommunications United Artists Theatre Circuit	UA-Columbia Cablevision	$215m	Offered
International Thompson Organization (publishing group)	Litton Industrie's publishing group (revised $89.3m)	terms not disclosed	Acquired
Hiram Walker (distillers)	Certain of Davis Oil Company's oil and gas properties	$600m	Acquired
British Columbia Forest Products Doman Industries and Whonnock Industries	ITT's Rayonier (Canadian division)	$365m	Offered
Canadian Pacific Enterprises holding and investment company)	Hobart Corporation	$380m	Bid ongoing
Dominion Bridge Company	Koehring Company (construction machinery manufacturing)	$167m	Acquired
Trizec Corporation (real estate holding and management)	Ernest W. Hahn, Incorporated (California shopping centre developer)	$321m	Acquired
Steinberg, Incorporated	Smitty's Super Value, Incorporated (retail chain)	$149m	Acquired
CanWest Capital Corporation	Aristar, Incorporated (Florida Insurance Company)	$130m	Acquired
Dome Petroleum	Fergeson Oil and Gas Company	$64m	Acquired
Royal Trustco	Community Bank of Pinellas Florida	$36.2m	Acquired
FRANCE			
Peugeot	Chrysler Corporation	joint venture for the mutual development of a subcompact car in the U.S.	Letter of intent signed
Banque Nationale de Paris	Bank of the West, San Francisco	$62m	Acquired
Renault	AMC	increased stake from 5% to 46% at cost of $200m	Acquired
Cii-Honeywell Bull (computer group)	Amdahl Computer Systems	$10m	10 per cent stake
Pernod Ricard	Austin Nichol and Company, subsidiary of Liggett Group	$97m	Acquired
Perrier	Poland Spring Water	terms not disclosed	Acquired
Compagnie Francaise des Petroles	Vickers Petroleum	$245m approximate	Acquired Acquired
THE NETHERLANDS			
AMEV (insurance group)	Interfinancial Incorporated, of Atlanta (insurance, consumer credit, property management)	$134m	Acquired
Koninklijke Bijenkorf Beheer (KBB) (retail chain)	Mack Stores	$14.25/share	Acquired
HONG KONG			
CY Tung Groups and Dodwell Shipping Company	Seatrain Lines	$7m cash	74 per cent interest in Pacific Containerships
BERMUDA AND SOUTH AFRICA			
Minerals and Resources Company (MINORCO) (closely associated with Anglo American Corporation)	Privately owned coal company	$152m	Proposed acquisition
ITALY			
Olivetti	Sovin (copper merchandiser)	Joint venture to swap Savin's U.S. operations for $63.4m of Savin's stock giving Olivetti 30% holding in Savin	Agreed in principle
Olivetti	Data Terminal Systems (manufacturer of electronic cash registers)	$9.8m	Acquired 700,000 shares
WEST GERMANY			
Saarbergwerke (coal mining concern)	Ashland Coal (subsidiary Ashland Oil)	25% stake for $102.5m	Proposed
Bertelsman (publishing concern)	Bantam Books (annual sales $100m)	terms not disclosed	Acquired
Tengelmann	Great Atlantic and Pacific Tea Company (A and P)		50.5 per cent stake
Phillip Holzmann (construction group)	Lockheed Greene (engineering concern)	$26m	Acquired
Robert Bosch (manufacturer of electrical goods and automotive equipment)	Stanley Works' power tool division (annual sales $15m)	terms not disclosed	Acquired
Heidelberger Zement	U.S. Steel's Atlas Cement division	$100m	Acquired
Daimler Benz	Freightliners (subsidiary Consolidated Freightways)	$260m	Acquired
Siemens (electrical engineering group)	G. D. Searle and Company (domestic and international diagnostics products business) (annual sales $100m)	terms not disclosed	Acquired
IBH Holding	Terex division of General Motors (producer of tractors and related equipment)	terms not disclosed	Acquired
Thyssen	Connelley Skis, Incorporated	terms not disclosed	Acquired
JAPAN			
Matsushita Electronics Industrial Company	Motorola, Incorporated. Television set manufacturing division	$108m	Acquired
Suntory (distilling company)	Pepcom (East coast soft drink company)	$100m	Acquired
Toyota	Ford	50/50 joint-venture to produce Toyota vehicles in U.S.	Under consideration
Fujitsu (maker of telecommunications and information equipment)	TRW	joint venture to market Fujitsu information processing products in the U.S.	
Nippon Kogaku (camera manufacturer)	Ehrenreich Photo Optical (camera distribution company)	$16.8m	Bid
Okazaki Manufacturing Company	Ari Industries, Incorporated (manufacturer of electrical heating elements)	terms not disclosed	Acquired
Toyo Soda Manufacturing Company (diversified business front)	AZS Corporation (chemical manufacturing)	$12m	Acquired
Taio Paper Manufacturing Company	California Wood Fiber Corporation	terms not disclosed	Acquired 50 per cent
Murata Manufacturing Company	Erie Technological Products Incorporated (ceramic capacitators)	terms not disclosed	Acquired
Kyoto Ceramic Company (ceramic products for electronics industry)	Infinity Systems, Incorporated (stereo speaker manufacturers)	terms not disclosed	Acquired 50 per cent
Ashahi Glass Company	West Virginia Flat Glass Incorporated	terms not disclosed	Acquired 80 per cent
Kobe Steel	Harnischfeger (construction equipment manufacturer)	Purchased one million shares and bought technology and patents for construction equipment	$26m $22m
Nippon Steel Corporation	Armco, Incorporated	agreed to swap $1.2m of each other's stock	
Mitsubishi Corporation	Kennecott Corporation	joint venture to modernise and operate Chino copper mine in Mexico, with Mitsubishi contributing $116m in return for ⅓ partnership interest	Signed agreement

Max Wilkinson reports on the NEB'S make-or-break strategy to secure a stronger British position in the electronic information systems market

The fight to get Britain into the ring

THE SUCCESS or failure of the National Enterprise Board's grand strategy to bounce Britain into the international market for electronic information systems is likely to emerge with remarkable clarity within the next few months.

This strategy was conceived two-and-a-half years ago under the last Labour Government as a £100m effort to assemble a flotilla of small British companies under a unified strategic command and to arm them with substantial public funding against the U.S. and Japanese multinationals which dominate the sector.

Now, after a severe buffeting from the Conservative Government, after three changes of chairman, and much backing and filling of its policies, the NEB is anxiously watching the launch of the first products resulting from its plan.

Meanwhile the stock market is also watching to see whether "the Geeks," as brokers call Nexos, Inmos and Aregon, have any chance of floating off into the private sector.

These young untried companies are entering an extremely rough and competitive market in the trough of a recession; they must prove themselves in a very short time, and because the original plans depended on mass production, they must capture a substantial share of their markets to be successful.

Of the four companies originally set up by the NEB—Nexos, Inmos, Aregon and United Peripherals—it is Nexos, the office equipment subsidiary, which is probably at the most anxious stage of development being poised very finely between success and failure.

Its first important product, the 2,200 word processor developed jointly with Logica, the computer systems company, was launched at the beginning of the year and is now fighting hard for a large enough share of the market to prove it to be "credible" against competitors.

Mr Brian Willott, the former civil servant who has recently taken over as chief executive of the NEB says: "Nexos's success with this machine will be the make or break. It is too early to tell yet, but we should know by Christmas—before then if things were to go seriously wrong."

If they should fail? Well, then Mr Willott says the NEB would have to consider the "options," which would probably be winding up, since it would be unlikely in that event that a purchaser could be found. Certainly, Nexos stands no chance of being given more than the £45m public funds already committed to it. Since it has drawn down £22m of this and is now at the most expensive phase of its development, it can only avoid being water-logged by debt if it generates cash at a rapidly increasing rate.

Of the four NEB companies in the original strategy, Nexos represents the highest risk for the NEB because the majority of its funds have been spent on development and on setting up marketing and service networks, with few tangible assets.

By contrast, Inmos, the microelectronics company with headquarters in Bristol, owns a substantial modern manufacturing operation which if the worst came to the worst, could probably be sold off as a going concern. For Inmos too, much will depend on the reception of its first product, which is now entering the market.

This is a 16,000-element computer memory (16k static RAM) which is said by industry observers to be substantially ahead of anything which competitors are offering.

Of the other two companies, Aregon, the computer programming (software) company represents a relatively small investment of £5m to £7m, and United Peripherals is a joint venture with a large U.S. group, Control Data, for making disc memory units for computers. Since Control Data is the largest U.S. company besides International Business Machines in this sector, the investment can be considered, relatively speaking, "safe."

The Nexos 2200—it cost £1.5m to develop and is based on a more powerful microcomputer than its competitors

Mr Muir Moffat of Nexos: confidence in the 2200

Although Nexos has bought the licence for equipment from overseas, including a very advanced computer from Delphi of the U.S., an Exxon subsidiary, the main thrust of its sales effort depends on the programming which makes the equipment work and on its concept of a system for "the office of the future."

This concept is remarkably ambitious: it envisages that telephone conversations will be stored in the same computer files as conventional data like sales figures and the computerised image of documents. At a touch of a button, the computer could reproduce, for example, not only sales figures and a facsimile of drawings or a contract, but also a recording of discussions about the documents.

New figures and diagrams could be flashed on to a screen to illustrate part of the discussion.

The Delta computer is probably the most advanced of its kind in the world and is certainly capable of controlling extremely sophisticated systems of this sort.

But Nexos cannot, alas, touch the button of a time machine and leap into the future. It must generate revenues here and now from much simpler systems, or it will simply not be around to enjoy the future.

Mr Muir Moffat, Nexo's managing director and a former IBM man, is acutely aware of this dilemma and, therefore, of how much depends on the new 2200-word processor.

"In this business, you have to get to a minimum turnover of £20m a year in order to generate enough funds for research and development," he says.

This high "take-off" point results from the fact that computer technology is developing so fast that the lifespan of a product may be as little as five years. Even within that period, continuous updating and improvement will be needed to keep abreast of competition. Nexos, like its rivals, hopes to use this process to its advantage by gradually extending the capability of its machines and thus leading its customers gently towards its vision of "the future office."

The first stage will be to add 'programmes' to the word processors so that they can communicate like Telex, then later, to link them into the central computer which will do filing, storing and forwarding of messages and many other tasks, as part of a fully automated system.

Nexos must convince customers that it has charted a course towards its own special territory in the brave new world of automation. Otherwise, buyers will fear that today's products will be left high and dry by the tide of progress and will turn to the big companies like International Business Machines, Xerox, Philips or ITT (International Telephone and Telegraph).

These multinationals may progress at a more stately pace, but will almost certainly carry all their customers along with them.

The dilemma for Nexos is that it must combine "the big company feel" with all the nimbleness and economy of a small entrepreneur selling today's product fast: it must achieve reasonable economies of scale, yet a large amount of its expenditure on a sales and service network will be incurred before it sells a single machine. So it must jump far into the mist, and land with perfect balance.

In practical terms, Mr Moffat says he needs to be selling about 120 of the new 2200 word processors each month at a price of around £7,000 to cover costs and to achieve a margin to fund future development. This seems achievable since sales have now reached 100 a month and outstanding orders represent 500 machines.

However, Philip Hughes, chairman of Logica, which is making the machines for Nexos, says: "In this business, unless you are making 1,200 to 1,500 a year, you are not even at the starting gate." The really big economies of scale are achieved at something like 5,000 machines a year or more, a figure which represents the entire UK market this year. Somewhere between those figures, Mr Hughes believes a small operator should be able to outwit the giants of the industry by producing a better product and being more nimble at introducing improvements.

So far the 2200 with its electronic keyboard, attractive, television-like screen and magnetic disc "memories" has been well received. Even competitors agree that it is well up among the leaders and is competitively priced for a high performance machine. It cost £1.5m to develop and is based on a more powerful microcomputer than most of its competitors.

Yet the insistent question remains: "Will it sell?" Nexos has 60 salesmen in the UK, but only six in Germany, the biggest European market, although it is aiming to sell there through dealers and other channels. Its presence in the U.S. relative to the importance of that market is minimal. Yet the sales force, the service network and the administration which brings Nexos' employees to 300 already represents a very substantial "front end" cost which could hardly have been met without state funding.

It is clear, therefore, that Nexos is in a game where a very high stake is needed just to obtain sporting odds. The Government is looking for "private sector involvement," which is likely to be another industrial partner rather than institutional finance.

One obvious candidate for a marriage would be Gestetner, the duplicator company which has an excellent marketing organisation stretching to almost every country in the world. So far, Gestetners has little to offer in the way of computer-based office products.

Almost certainly Gestetner, like any other potential partner will want to bide its time a little, at least through the summer, watching and waiting to see just how well the first fruits of Nexos's investment will survive, and whether Nexos as a whole can stay on target to be self-financing by the end of next year.

To help it on its way, it would very much like the help of public purchasing in the form of orders from the Civil Service for its new 2200, but orders have been sparse in spite of vigorous efforts from the Department of Industry.

Without this help, Nexos is left very much to its own resources. Mr Hughes says: "If you ask whether we are sailing into a gale, the answer is yes. If you ask should we do it with public money, that is a political question. But if you ask should we as a country be doing it, the answer is yes we absolutely must get into the mass production of advanced electronic equipment."

NEB advanced electronics companies

	Products	1980 sales (£m)	1980 loss (£m)
Inmos	Microchips	nil	7.2
Insac products	Computer software	1	1.52
Nexos	Office systems	5.2	10.18
Data Recording Instruments	Computer peripherals	28.4	9.5
Aregon	Viewdata software	3.9	0.93

Letters to the Editor

Nationalised investment

From Lord Caldecote.

Sir,—This week the Cabinet is to discuss the economic situation and one topic will almost certainly be investment in nationalised industry. Judging by recent statements of Government policy on this issue, particularly the Chancellor's speech last Friday, there seem to be many misconceptions and much illogical dogma associated with it.

Certainly nothing must be done which will damage the Government's firm and courageous policy to reduce inflation, but is investment in nationalised industry necessarily inflationary? To the extent that it increases the Government's borrowing requirements, there is clearly a strong argument that it is, particularly if it is in the field of social welfare, where in financial terms no return on the investment is earned.

But if it can be shown that there will be a satisfactory return on the investment and the money can be obtained from the private sector, why should the investment be prevented, just because it is in a business whose capital is owned by the Government, as in a nationalised industry?

The firmly held Treasury view is that all investment in nationalised industry, from whatever source, has an effective Government guarantee behind it; therefore it forms part of the PSBR and is inflationary. This is a piece of economic logic, or perhaps dogma, on which only economists can speak, but the "effective Government guarantee" argument is clearly fallacious in many cases.

If on normal investment criteria an investment in a specific project in a nationalised industry can be shown to be profitable, and the return on the investment is dependent on the success of that project, then it is virtually identical to an investment in any business in the private sector and therefore, *prima facie*, of benefit to the economy. In such a case, even though the nationalised industry cannot go bankrupt, there is no effective guarantee of the investment, for if the project is unsuccessful there will be no return, and it will not be possible for the capital to be repaid or recovered. Surely a permanent investment with no return is tantamount to a lost investment and no different in outcome for the investor, to bankruptcy of the business.

The other argument used against investment by the private sector in nationalised industry is "crowding out." This is equally fallacious for the private sector can always choose where to invest; in that sense investment in one company "crowds out" a relatively less attractive investment in another. It is true that many nationalised industries are monopolies, and will remain so until Parliament decrees otherwise, but it is at least as important for them to increase their efficiency by profitable investment as for any other business. So no artificial obstacles should prevent private sector investors choosing to invest in nationalised industry projects if they wish to do so, and financial institutions, such as merchant banks and finance for industry, should be encouraged to devise ways of doing it.

Finally, it is clear beyond all shadow of doubt that ample funds are available in the private sector from savings for investment in profitable enterprises. The amount of investment being made overseas is confirmation of this. While overseas investment is certainly in the long-term interests of the country at this time of growing unemployment and the destruction of large sections of British industry, there is a strong argument in favour of greater investment in the UK now, so profitable investment in specific projects in nationalised industries should not be ruled out by outdated dogma.

Caldecote.
House of Lords, SW1.

Misleading tales

From Mr B. A. Burghes

Sir,—The advertisement by British Airways re "Club" flights is very misleading. I travel frequently between London and Bremen. There are two services daily, Lufthansa in the morning, where the Economy Class has full services ie meal or snack and drinks available at duty-free prices, plus the choice of smoking or non-smoking seats; whereas Economy Class on BA in the evening consists of a carry-on snack and no drinks available at any price.

Surely it is BA Economy Class which is bad value and causing dissatisfaction among regular travellers who find themselves, for reasons of time, with a regular Lufthansa Economy ticket from the morning flight on a BA evening flight in a cramped cabin with insufficient non-smoking seats and no possibility of a drink despite stewards standing with nothing to do in a new empty "Club" section.

Britain has a questionable reputation abroad for class distinction—is BA promoting this rather than their airline?

B. A. Burghes.
11, Heath Street, NW3.

Reasonable lettings

From the Press Officer, Small Landlords Association.

Sir,—As far as Mr Burrows (June 2) is concerned private tenants must have what they "need" regardless of the consequences for the private landlord. No one would suggest such a philosophy in relation to the supply of other goods and services and it is testimony to the lamentable position to which the private landlord has been relegated that Mr. Burrows is able to make his histrionic assertions.

This association accepts that the Rent Acts, like other consumer protection legislation, should lean in favour of the consumer. But the Rent Acts discriminate so grotesquely in favour of the tenant that no landlord (unless he is a supreme optimist or a macabre masochist) will let under them.

It is difficult to see how Mr Burrows can condemn restricted security as a scandalous concept when even Shelter accepts that some tenants of resident landlords can only have restricted security. But so insensitive is Shelter to the legitimate interests of the landlord that it has urged that indefinite security of tenure should be bestowed upon the tenants of resident landlords who do not share essential living accommodation *viz* even if they are sharing a bathroom or a toilet.

Obviously a distinction must be drawn between different types of landlord and between new and existing tenancies when trying to assess what is reasonable in terms of security for both parties.

The Housing Act's provisions for new lets by resident landlords we would judge about right; appropriate notice followed by a maximum three month extension by the Court. For non-resident landlords, we would suggest a minimum notice of, say, three months again followed by a maximum three months extension by the Court.

Existing lets present much more formidable problems although little or no consideration need be given to the overt speculator landlord whose sitting tenants are still there. If in other cases, the eventual decision is that the existing security cannot be disturbed then the state, not the individual private landlord, should accept the financial consequences.

This leads naturally to the question of rent levels where concern has been expressed about prospective increases in formerly "controlled" rents, in particular two instances of rents which are currently 68p and 79p per week—about the rental for a black and white TV set.

Average "fair" rents are less than the cost of a space at a long term car park or a mooring in a marina. Shelter may well argue that some tenants cannot afford economic rents. What they forget is that landlords cannot afford uneconomic rents.

Our proposal is for subsidies to private as well as public tenants and for an independent and professional committee to report on what constitutes an economic rent.

G. F. Cutting.
7, Rosedene Avenue, Streatham, SW16.

Motorway manoeuvres

From Mr. David J. Carr

Sir,—I note with some fear and trepidation the proposals of the RAC to the select committee of MPs on Wednesday June 10 that more urban motorways etc are essential to reduce the traffic problems in London.

Talk of legal powers necessary to steam roller such proposals "in spite of any obstructive action by anti-road interests" did generate the production of more than a little adrenalin to the system.

Traffic problems evolve their own solutions. When regular users find a road too congested, they use another. When all roads become impossible, the motorist leaves a little earlier or later. And when that doesn't solve the problem then "flexible" working hours are negotiated to spread the concentration.

I ask the question, who is it who wants these motorways? Surely not the hundreds of home owners who will be compulsorily uprooted from the house of their choice; their neighbours—who will discover what it is like to stare into the side of a concrete flyover from their bedroom window, listen to the rush hour cacophony and breathe deeply the lung-rotting effluent from the motorist as he multiplies to meet the increased capacity; or the existing travellers who have bought themselves into a locality at great expense to enable them easy access to their place of work without a 10-mile detour just to get on to an approach road.

Could it be that only the irresponsible "passers-by" have an interest in such grandiose schemes? Witness the through flowing juggernauts; the part-time MPs and councillors who have so little time to make a name for themselves; development consultants and contractors eager for more easy and poorly monitored public money. None of these will be here in ten years' time to savour the "delights" of their contribution to society.

Do those who pay, benefit?

David J. Carr.
8, Preston Drive, Gillingham, Kent

Are the chips really down?

From Mr Stephen Lock

Sir,—It frightens me to see the old "David and Goliath" content of Anatole Kaletski's article about Israel's attack on Iraq (June 12): under that banner Israel has marched into every neighbouring Arab country to "pre-empt" an alleged attack (though I would doubt that the inhabitants of South Lebanon felt much similarity with Goliath when Israel invaded in 1978): under that banner Israel has refused to accord to the Palestinians rights which it would be considered "anti-semitic" to deny to Jews throughout the world — a refusal, moreover, which has been the principal cause for the introduction by Israel of nuclear weapons into the Middle East.

Yet less than three weeks before an Israeli election, when even the most purblind of the Israeli electorate must have discerned the motivation behind Mr Begin's actions, we hear of the "thrill of adventure" which the bombing of Iraq's nuclear facilities aroused in Israel. By referring to the holocaust (an exclusively European experience perpetrated by European Gentiles against European Jews), Mr Begin seeks to excuse an attack on an Arab country which has ratified the Non-Proliferation Treaty (unlike Israel) and whose installations are open to inspection by IAEA authorities (again, unlike Israel).

Whence comes the evidence for your correspondent's reminder that "when the chips are down, the Jews cannot rely on anyone but themselves"? In 1973, when Israel's chips were closest to being down, America stepped in with a massive arms-lift.

Before we get too carried away by "the chips are down" rhetoric, let us remember that the high stakes are of Israel's own calling and that they would be smaller if Israel changed its game and adhered to the rules which made it a player in the first place — namely, the 1947 UN Partition Plan, which called for a Jewish and an Arab state west of the Jordan.

Stephen Lock.
40 Queensdale Road, W11.

Today's Events

GENERAL

UK: Government announces aid package for National Coal Board at tripartite conference on pit closures with management and unions, London.

Sir George Jefferson, British Telecom chairman, announces sales re-organisation.

Iron and Steel Trades Confederation conference opens, Bournemouth (to June 19).

Mrs Margaret Thatcher addresses Confederation of British Industry annual dinner, Grosvenor House, W1.

Mr Michael Foot, Opposition leader, speaks at Foyles Literary Lunch, Dorchester Hotel, London.

Mr Neil Kinnock, Opposition education spokesman, talks on socialism and the liberty of the individual, Basildon.

Overseas: Mr Zenko Suzuki, Japanese Prime Minister, meets King Baudouin of Belgium, Brussels.

Organisation for Economic Co-operation and Development starts two-day ministeral meeting, Paris.

EEC Agriculture Ministers meet, Luxembourg.

Sir Henry Plumb leads debate on changes in the common agricultural policy, European Parliament, Strasbourg.

PARLIAMENTARY BUSINESS

House of Commons: Contempt of Court Bill, remaining stages. Debate on the report of an inter-party group on the Government of Scotland and on motions relating to amendments to Standing Orders for Scottish business.

House of Lords: Social Security Bill, committee stage. Iron and Steel Bill, committee stage. Licensing (Alcohol Education and Research) Bill, second reading. Disabled Persons (No. 2) Bill, committee.

COMPANY MEETINGS

British Aerospace, Royal Aeronautical Society, 4 Hamilton Place, W, 3.0. A. Caird and Sons, 11-35 Reform Street, Dundee, 12.0 Concord Rotaflex, 211 City Road, EC, 10.0. P. and W. MacLellan, Merchants House Hall, 7 West George Street, Glasgow, 12.0 Midland Industries, Mount Hotel, Mount Road, Tettenhall Wood, Wolverhampton, 12.0. Minty, Horspath Industrial Estate, Cowley, Oxford, 12.0. Tarmac, Hyde Park Hotel, Knightsbridge, SW, 12.0 Telephone Rentals, TR House, Bletchley, Milton Keynes, Bucks., 12.30.

Muirhead in the red but expects profit for year

DESPITE A marginal increase in turnover from £11.86m to £12.5m in the six months to March 29 1981, Muirhead, manufacturer of electro-mechanical devices and communications equipment, plunged into the red incurring a pre-tax loss of £95,000, compared with a surplus of £29,000.

However, the directors expect a modest overall profit for the full year and in view of this and an attributable profit of £24,000 (£22,000) at midway, they have declared an interim dividend of 1p net (nil).

The attributable balance was after an extraordinary credit of £136,000 (nil), being the profit on the sale of a property in Canada, and minorities of £17,000 (£7,000).

The pre-tax figure was struck after interest charges of £551,000 (£561,000) and other costs. There was again no tax payable because of losses brought forward.

For the year to end-September, 1980 the group incurred a loss of £2.78m after extraordinary items and passed its final dividend.

The interim payment for the current year absorbs £85,000 leaving a retained loss of £61,000 (£22,000 surplus).

● **comment**

After producing a £2½m pre-tax loss in the preceding half-year, the £95,000 shortfall announced by Muirhead for the first six months represents a sizeable improvement. The main factor has been the cost elimination exercise of last year, while volume is more or less unchanged. This year the company should be able to produce a small cash surplus through the reduction of working capital and capital expenditure, as well as the sale of assets. Nevertheless, borrowings remain uncomfortably high. Orders are apparently on an even keel—though hardly exciting — but defence work should provide some basic underpinning here in coming years. However, Muirhead remains exposed to the fact that its key market of facsimile is broadening out, and it cannot afford to keep up with the heavy spenders. Incorporation within a larger unit would be one solution, and it is renewed take-over speculation rather than prospects for a modest return to profitability that has made the shares outperform the market by about 30 per cent in the past month. At 112p, the price was unchanged yesterday.

HIGHLIGHTS

Lex surveys the sharp rise in equity and gilt-edged prices in London yesterday before going on to examine one of the principal causes: the fall in prime rates, the brief rise in sterling/dollar parities and the outlook for U.S. short term interest rates. The column also analyses the Government's proposals for the disclosure of interests in shares and the likely outcome of one of the City's big battles whereby Trust House Forte has attempted to buy the Savoy. It seems that THF has abandoned its offer but the column discusses the next option which comprises determined purchases through the market to build a base for a further foray. Elsewhere Muirhead has staged a modest profit recovery, the offer for sale of Cambridge Electronic Industries has been heavily oversubscribed, ICC Oil Services is coming to the USM by way of a placing and Energy Resources (Ireland) will be introduced next week under rule 163 (3).

Bellair reduces losses

TURNOVER OF Bellair Cosmetics declined in the half year to end-January last from £556,000 to £534,000 and the company reduced its losses by £169,000 at the pre-tax level to £51,000.

There is again no interim dividend—the last payment was a third interim of 1.09p net in 1975.

The directors say that steps taken in the second half of 1980 and the early part of 1981 have ensured that not only has the company been able to withstand the pressure of the recession but it has also achieved significantly better results while having to operate at a reduced level of trading.

The second six months of the year are likely to be at least as difficult as the first six months but no material deterioration in the situation is foreseen, they add.

The company, which is a subsidiary of the Fenton Hill Group, manufactures and distributes toiletry and cosmetic products.

Helical Bar warns on current year

The current year at Helical Bar will not be as good as the year ended January 31 1981 Mr R. J. C. Hill, chairman, tells members.

He says in his annual review that although directors have looked at a number of companies in allied industrial fields for further investment, nothing suitable has been found.

"It still remains the board's view that a broader base of activities is necessary for expansion in the future."

As reported May 29, pre-tax profits [illegible] reinforcement and [illegible] holder, were £210,[illegible] against £250,351 for the previous 40 weeks.

Balance sheet shows shareholders' funds of £1.87m (£1.68m), net current assets of £1.25m (£1.15m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Countryside Properties, Crest Nicholson, Saatchi and Saatchi, Trident Television.

Finals—Alliance Investment, Alpine Soft Drinks, Bankers Investment Trust, Beechwood Construction, Bradford Property Trust, British and American Film, Butterfield-Harvey, International Timber, MK Electric.

FUTURE DATES

Interims—	
Bett Brothers	July 1
Bakers Household Stores	June 17
Brooke Tool Engineering	June 17
Brunner Investment Trust	June 19
Hardys and Hansons	†June 23
Irish Distillers	June 24
Thermal Syndicate	July 2
United Guarantee	June 25
Finals—	
Arbuthnot Latham	June 18
Belhaven Brewery	June 18
Bell and Sime	June 17
Birmingham Mint	June 19
Dawson International	July 7
Finance and Industrial Trust	June 18
Monk (A.)	July 9
Petbow	June 25
Rediffusion	June 26
Renold	June 25
Shaw Carpets	June 25
Somic	June 26
"The Times" Veneer	June 19
Tunnel Holdings	June 18
Wilkins and Mitchell	June 19

† Amended.

J. Fenner profits slip but interim maintained

TAXABLE SURPLUS of J. H. Fenner and Co. (Holdings), power transmission engineer, fell slightly from £4.26m to £3.85m for the half year ended February 28 1981 on turnover ahead by £3.2m to £61.34m.

The interim dividend has been maintained, however, at 3.63p net per 25p share—last year's final was 5.37p paid from pre-tax profits of £9.52m.

The directors say it seems likely that weak market conditions will continue in the UK throughout 1981 and appropriate steps have, therefore, been taken to gear the company's UK operations to the reduced level of demand.

In the short term, Fenner must look to its international operations to maintain progress, but the rate of expansion overseas will not completely offset the downturn at home in the current year.

In the longer term, the board is confident that the actions taken to reduce manning levels, unit manufacturing costs and overheads will have a significant and positive effect on performance at the first sign of a recovery in the general level of industrial activity.

Mr Joseph Palmer, chairman, says the performance during the first three months was maintained substantially in line with last year, with advances overseas compensating for the slackness at home.

The deterioration in trading conditions accelerated in the UK as the year progressed, and it was not possible to make good the whole of this decline elsewhere, despite excellent returns from most of the overseas subsidiaries.

Aggregate turnover and profit overseas, continued to advance in real terms with notably strong performances in South Africa, and Australia, where a substantial investment of new capital has been made in the provision of additional plant for the manufacture of Fenaplast conveyor belting. The acquisition of the Swedish materials handling company, Transportteknik AB, has been successfully concluded. Also finalised and operating successfully is the combined manufacturing and distribution operation in New Zealand trading in the name of Fenner Burns, Mr Palmer states.

Export turnover, well supported by the overseas companies, was at a higher level than a year ago although the financial returns continued to be eroded by fierce competition and the relative stength of sterling.

Restructuring of the fluid sealing division has been almost completed and the manufacture of high volume automotive seals has been transferred to the company's licensees, Pionier-Laura BV, in Holland.

All manufacturing activity at the Padiham factory has ceased and the division's activity at the Salford factory has been expanded to absorb some of the production facilities previously located at Padiham.

The board is confident that the division will return to profit in the coming months, the chairman says. A reorganisation of the motor gear operation to effect major cost reductions is at an advanced stage.

Profits for the six months were struck after interest payable, less receivable, of £1.63m (£1.42m), included associates shares £5,000 (£13,000), and subject to tax of £1.47m against £1.57m.

Earnings per share were 7.29p (9.44p).

After minority interests of £129,000 (£250,000) and an extraordinary debit amounting to £375,000, compared with £50,000, the attributable balance was £1.88m against £2.39m—extraordinary item relate to the net cost, including redundancy and related payments, of the fluid sealing and motor gear activities.

The retained surplus was virtually halved at £752,000 (£1.45m), after the cost of dividends of £1.13m (£944,000).

● **comment**

For the first time, Fenner's profits overseas exceed those generated in the home market but this shift was still insufficient to preserve the group interim total and Fenner is down by a tenth at the pre-tax level. There is no sign of an improvement in critically low levels of UK demand and the shares, down 3p at 163p, are largely supported by the expected benefits of a reduced cost base. The integration of the central overhead of the motor gear operations into the power transmission division is symptomatic of the changes Fenner has been imposing but loss elimination at Padiham will be essential to recovery in fluid sealing. The Salford plant, nonetheless, is in profit. Capital spending will be down this year, perhaps by £1m at £3.5m, but the group is budgeting for a further cash outflow this year. That is very unlikely to jeopardise the final dividend so the historic yield offers some backing at 8.1 per cent. Taking reported profits over the last 12 months on a fully taxed basis, the p/e of 12.4 suggests that profits will be pulled up as much by the group's own overhead trimming efforts as by the faltering recovery expected of the mechanical engineering industry next year.

Tern incurs loss: payout cut by 3.5p

ALTHOUGH SALES of Tern-Consulate improved marginally from £6.9m to £7.12m in the 12 months to end-December 1980 the company plunged into the red incurring a pre-tax loss of £194,757, compared with a profit of £401,448.

At mid-year, the group which manufactures shirts, ties and knitwear, reported a sharp downturn in taxable profits from £204,777 to £32,849.

There was a stated loss per 25p share of 9p (16.84p earnings) for the year and the total dividend is being reduced by 3.5p to 0.5p net.

The surplus was struck after interest charges £151,168 higher at £271,894 but was subject to tax of £4,567 (nil).

At the attributable level there was a loss of £258,409 (£401,448 profit) after extraordinary items of £59,085 (nil).

Blue Circle S. Africa down midway

Pre-tax profits of Blue Circle, of South Africa, 55 per cent owned subsidiary of Blue Circle Industries, fell from R7.81m to R6.29m for the half year ended May 31 1981.

Tax was much lower, however, at R736,000, compared with R3.06m, leaving net profits ahead at R5.56m (R4.75m), or 26.3 cents (22.6 cents) per share.

The directors say that earnings for the full year are expected to be at a higher level than 1979/80.

The interim dividend is increased to 11 cents, against 9 cents.

Fixed assets were revalued on December 1 1980 and written up by R42m. The depreciation provision has accordingly been materially increased.

Tax allowances arising from the new cement kiln at Lichtenburg will mean no tax being charged in the parent company for year. Tax will, therefore, relate only, to certain subsidiaries.

ASSOCIATES DEAL

Baring Brothers and Co., an associate of Canadian and Foreign Investment Trust, sold 65,000 of the company's shares on June 12 at 175p for discretionary investment clients.

Ferguson Industrial drops to £1.6m for year but pays same

FINAL - QUARTER taxable profits of Ferguson Industrial Holdings dropped from £1.04m to £269,000 leaving the full-year figure to end-February 1981 well down at £1.63m, against £3.74m previously. Sales for the 12 months fell back from £80.47m to £78.86m.

Earnings per 25p share showed a reduction from 21.4p to 9.7p, after tax of £260,000 (£863,000), but as forecast the dividend is being held at 5.5p net with a same-again final of 3.3p.

Since the beginning of March, there has been little improvement in trading activity, says Mr Denis Vernon, the chairman. Lower interest rates would help trading, particularly in building supplies and the group's much lower gearing (now only 25 per cent of shareholders' funds) means that interest charges are substantially below last year's levels.

Interest charges for the year under review rose from £1.26m to £1.41m and pre-tax profits were after charging £269,000 (£639,000) for employees' profit-sharing.

There was a substantial reduction in trading profits in the building supplies division in both England and Ireland. But the return on capital employed on this side was 20 per cent which Mr Vernon says was "no mean achievement in the depths of a recession."

However, profits slumped in the engineering supplies, engineering and giftware divisions and returns on capital fell to unacceptable levels. Redundancies and short-time working have been necessary in many of the companies.

The printing division held up very well, particularly in the south of England and the chairman adds that a return of 20 per cent on capital employed is highly creditable.

As Gosforth Industrial Holdings was acquired during the last month of the group's trading year, no account has been taken of sales or profits from its subsidiaries.

On a current cost basis, the year's pre-tax profits declined from £2.15m to £846,000.

The first quarter results for the current year will be announced at the time of the annual meeting.

● **comment**

At the trading level, Ferguson Industrial Holdings has taken a drop of over 40 per cent, and interest charges bring this decline to 56 per cent pre-tax. Although Ferguson is a diversified group, no operation has come through the past year unscathed. But the diversification policy is vindicated, even at the trading level, by the printing division, responsible for two-fifths of this year's profits. Four years ago, FIH was still based squarely on its distribution businesses—in building materials and engineering supplies—with a 10 per cent contribution from engineering manufacture. Acquisition has had an even more decisive impact on the balance sheet, via the purchase of Gosforth, which became unconditional in February. Gosforth had £6.2m of cash, so the most noticeable results of the merger has been to cut FIH's gearing to about 25 per cent of net worth (compared with about 60 per cent last year). That will have an immediately beneficial effect on the current year's profits. The shares gained 2p to 84p, where they yield 9.7 per cent. A prospective fully-taxed p/e of about 8—including Gosforth is very much the undemanding multiple on which FIH shares have long traded.

Grounds for optimism—Lesney

The first two months of trading and working capital at Lesney Products and Company, toy manufacturer, are in line with, or better than budget, Mr Gordon D. J. Hay, the chairman, says in his annual report.

He says there is ground for optimism that the company is on course for recovery along the lines indicated in his statement for the half-year, but much still remains to be done.

The accounts show compensation of £171,000 to past directors for termination of service contracts.

The directors' report states that notice has been received that a resolution to appoint Price Waterhouse and Company in place of the retiring auditors, Clark Pixley, will be proposed at the AGM.

The company incurred pre-tax losses of £10.9m in the year to January 25, 1981 against £39.6m previously. At the time, the chairman said the rate of loss was substantially reduced by the year-end and continued to lessen.

During the year depreciation of fixed assets and tooling amounted to £6.14m (£8.10m). Consequent to the reorganisation of facilities, asset lives have been re-assessed and depreciation rates for plant and machinery and vehicles amended accordingly. The effect of this extension of estimated useful lives has been to reduce the charge for depreciation in the current year by £645,000.

The accounts for the year to January 25, 1981 do not carry an auditors' qualification this time.

Lesney said yesterday that it has sold Metal Castings (Worcester), an aluminium diecasting subsidiary, to a management consortium. Metal Castings was purchased by Lesney on May 12, 1978 for £2.32m. On the latest sale, Lesney will receive £900,000 applied as to £50,000 for the shares and the balance in repayment of inter-company indebtedness. The reserves for the year to January 25, 1981 incorporate provision for a loss on the transaction of £900,860.

The agreement to sell Metal Castings follows negotiations between that company and Lesney. Contracts have been signed for completion in the near future.

Amos Hinton sales and profits still improving

The upward trend in sales and profitability at Amos Hinton and Sons, the North East food and drink retailer and distributor, is continuing into 1981-82, says Mr David Hinton, the chairman, in his annual statement.

However, the very slight changes in the ratio between sales and costs can make a substantial difference to profitability, particularly in the low-margin food retailing field, he points out.

Mr Hinton adds that the volatile economic conditions make it imprudent to attempt a profit forecast for the current year.

As reported May 20, group pre-tax profits climbed 44 per cent to £1.3m for the 53 weeks to March 7, 1981, on turnover up 15 per cent to £90.15m. The total dividend is being raised 50 per cent from 4p to 6p net.

Future capital commitments total £3.24m (£1.9m), of which £2.45m (£1.07m) has been authorised but not contracted for.

At the year end, group shareholders' funds were ahead from £7.02m to £8.93m and there were net current liabilities of £895,000 (£26,000 assets). Liquid funds increased by £912,000 (£608,000 decrease).

Meeting, Cleveland, July 13, 2.30 pm.

Difficult year ahead for LOFS

THERE CAN be no doubt that London and Overseas Freighters faces another difficult year's trading, says Mr M. E. Kulukundis, the chairman of this tramp ship owner, operator and manager.

For the year to March 31 1981 the group incurred a pre-tax loss of £127,000, against a £4.62m profit which included a surplus of £4.26m on disposal of vessels—as reported June 11.

The chairman says the group's bulk carriers are performing well under time charters extending into the early months of 1982 and should earn, before depreciation, operating surpluses which, providing the tanks break even on a similar basis, would produce a trading result similar to 1980-81.

Any improvement above this level is dependent upon the profitable expansion of the group's tankers and Mr Kulukundis firmly believes that LOFS' 140,000 tonners are of a size and type which places it in a favourable position to take advantage of an upturn in demand for crude oil carried by sea.

No current costs accounts are included as the directors believe that having regard to the peculiar nature of the tramp shipping industry, it is very unlikely that any form of current cost accounts would give more useful information than that available from the historical accounts.

The auditors have again qualified the accounts in respect of the group's secured U.S. dollar loans which are included in the balance sheet at exchange rates ruling on drawn-down dates.

They say that if generally accepted accounting principles were applied these loans would be translated at rates ruling at each accounting date with the differences arising dealt with in the profit and loss account as extraordinary items.

On this basis, the accumulated group reserves at March 31, 1981, would be reduced by £329,000 and secured loans in the balance sheet would be increased by the same amount. The balance sheet figure for loans was £14.55m (£17.3m).

Meeting, Baltic Exchange Chambers, EC, July 7, 11 am.

C. E. Heath prospects

IN HIS annual review, Mr Frank Holland, chairman of C. E. Heath and Co., says that if the group is forced to divest itself of the ownership of the Lloyd's underwriting agency, because of the Lloyd's Bill now before Parliament, he does not anticipate that it would have a material effect on profitability.

As regards the underwriting operations, he tells members that the next year of account to be closed is 1979, "and we are not expecting such a high level of contribution by way of profit commission as we have had this year."

As reported on May 20, lower brokerage profits, down from £7.67m to £5.71m, left the operating surplus just behind at £12.63m (£12.95m) for the year to March 31 1981. After a lower exceptional debit of £243,000—legal costs incurred in successfully defending recent litigation—compared with £894,000 previously, the pre-tax figure was just ahead at £12.38m against £12.06m. Dividend is increased to 10.5p (9.66p).

Meeting, 14/20 Mary Axe, EC, on July 8, noon.

Blackwood Hodge (Nigeria) sharply higher

On turnover up from Naira 19.99m to Naira 32.64m pre-tax profits of Blackwood Hodge (Nigeria) improved to Naira 3.11m, compared with Naira 1.17m.

The tax charge rose sharply from Naira 617,579 to Naira 1.55m and dividend payments absorb Naira 1.04m (Naira 332,149). A scrip issue on a one-for-two basis is proposed.

Blackwood Hodge, the London-based earthmoving equipment sales and service group, has a 40 per cent equity interest in the company.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Cardiff Prop.	0.6	Aug. 4	0.6	—	1.6
Chamberlain Phipps	2	Aug. 25	2	3.1	3.1
J. H. Fenner ......int.	3.63	Sept. 1	3.63	—	9
Ferguson Ind.	3.3	Aug. 10	3.3	5.5	5.5
Greenbank Tst.	4	July 31	4.2	4	4.2
Muirhead ......int.	1	Aug. 7	Nil	—	Nil
Standard Fireworks	7.5	Sept. 11	6.63	7.5	6.63
Tern-Consulate	0.5	—	2	0.5	4

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

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BIDS AND DEALS

Savoy likely to fight off THF

Trusthouse Forte yesterday admitted that its battle for the Savoy Hotel group is likely to end in failure on Friday. But it is still attempting to build up as large a stake as possible before it is inhibited under Takeover Code rules.

Including the 21.4 per cent of the votes held by the Kuwait Investment Office, Trusthouse holds 36.1 per cent and independent shareholders have only assented a further 1.9 per cent of the votes so far, making a total of 38 per cent.

Lord Thorneycroft, chairman of Trusthouse, yesterday wrote to Savoy shareholders who have accepted, offering to cancel their acceptances so that they can, if they wish, sell in the market.

He pointed out that Trusthouse has been buying shares wherever possible in the market, but if the offer lapsed, the company would only be able to acquire a maximum of 2 per cent a year in this way under the code unless it came back with another bid. And this it could not do for a year after the previous bid had lapsed.

The holders of the "B" shares, with their heavy voting weight, have remained implacably opposed to Trusthouse's offer and Lord Thorneycroft admitted that a large proportion of them would be "unlikely to accept" by Friday's last closing date.

"It is therefore doubtful" whether Trusthouse could reach 50 per cent of the votes in time, although it already owns or has acceptances representing 60 per cent of the equity, he said.

Among the existing shareholders to whom the offer to cancel and sell has been made is the Kuwait Investment Office.

The KIO reached an agreement with Trusthouse to accept its offer for its holdings of 34.1 per cent of the "A" shares and 7.3 per cent of the "B"s. That agreement, of course, lapses if the bid is unsuccessful.

The KIO has also been buying shares directly in Trusthouse and accumulated a stake of 8 per cent or so. This would be substantially enlarged if it were able to accept THF's share alternative offer.

Trusthouse's shares rose 4p yesterday to close at 151p. Savoy's "A" shares were unchanged at 191p, the "B"s at £11.25.

Steel Brothers makes W. German acquisition

Steel Brothers Holdings, the construction, foodstuffs and manufacturing group, has acquired a 70 per cent stake in Waagen und Maschinenfabrik Herweg GmbH, a West German materials handling plant manufacturer, for an undisclosed amount.

Steel Brothers said yesterday that it had bought the company from the Herweg family at around net asset value. The German company had annual turnover of between DM 5-6m (£1.1-1.3m), it said.

The Herweg family had an earlier interest in Becorit (GB), a subsidiary of Steel Brothers, through an associate. Becorit and Herweg, which was based in Nottingham. The newly-acquired company will "collaborate" with this associate in extending group business in this sector of the process plant industry, the company said.

Mr H. Maniwa, the present distributor for Holt Lloyd products, and his associates. Mr Maniwa will be president of the company.

Mr Tom Heywood, chairman of Holt Lloyd, says for the last few years the group has achieved substantial exports to Japan and, with its distributor, has built a strong position for the Holt product range.

Wight Hldgs. advise; 'Take no action'

The board of Wight Holdings, building and engineering contractor, has advised its shareholders to take no action on the bid by Thornwood Investments, while it discusses the offer with the James Finlay Corporation, its advisers.

Last week the company said it would offer 30p a share for the 58 per cent of Wight which it did not already hold. The offer valued Wight at £654,320.

Thornwood said it had been building a stake in Wight since late in 1978. Mr Alastair Thornwood, the managing director, was appointed a non-executive director at the beginning of 1980 when Thornwood's holding stood at 29.8 per cent.

NRDC NOW HAS 10% OF VILLIERS

Villiers has reached an agreement with the National Research Development Corporation whereby the NRDC has subscribed £200,000 for preference and ordinary shares in order to provide additional resources for Villiers' development programme.

The NRDC now owns about 10 per cent of the company's equity. Villiers has also received acceptance of its application for a grant not exceeding £110,000 under the Department of Industry's Product and Process Development Scheme.

Villiers, formerly Wolverhampton Industrial Engines, was formed to acquire the industrial engine interests of Norton Villiers from its liquidator in 1977.

YULE CATTO

Lord Catto and Mr A. E. Richmond-Watson have notified that they have purchased a total of 526,400 Yule Catto and Co. ordinary shares at 80p as follows: Lord Catto beneficial interest 321,400, bringing his total beneficial interest to 652,352 shares and non-beneficial interests to 80,000; Mr Richmond-Watson beneficial interest 125,000, bringing his total beneficial interest to 235,000 shares. Kuala Lumpur Kepong Berhad has notified that it has purchased 400,000 shares at 80p, bringing its total holding for itself and its subsidiaries up to 4,922,416 shares (21.17 per cent).

HOLT LLOYD FORMS JAPANESE SUB.

Holt Lloyd International has formed a subsidiary in Japan, Musashi Holt KK. Holt Lloyd will own 55 per cent of the shares and the balance will be held by

MINING NEWS

Renison Goldfields Cons could be 'major force'

BY KENNETH MARSTON, MINING EDITOR

THE MERGER of the Consolidated Gold Fields group's Australian interests into the new Renison Goldfields Consolidated (RGC) could produce "a major force in the development of natural resources," according to Mr. M. J. Roberts, chairman of Consolidated Gold Fields Australia (CGFA).

As already announced CGFA, at present the group's major Australian company, and Associated Minerals Consolidated, Renison and Mount Lyell, will become wholly-owned subsidiaries of the new Australian-registered RGC.

Mr. Roberts points out in the full details of the merger plans that the restructuring of the group's Australian interests will provide "the expertise, the manpower and the financial potential to undertake projects beyond the individual capacity of the existing CGFA group companies.

The foundation for the new grouping is provided by the low cost Renison tin mine in Tasmania. The Mount Lyell copper mine has managed to lower its production costs to below the world average and is profitable at the present low level of metal prices.

Associated Minerals Consolidated is believed to have a major earnings potential once its production problems are overcome and the mineral sands market recovers.

Of the new prospects of CGFA, there is a one-third stake in the Porgera gold deposit in Papua New Guinea, which could become a major open-cut mine, and 50 per cent of the Glendell coal project in the Hunter Valley of New South Wales which is expected to start production in 1983.

On completion of the merger proposals London's Consolidated Gold Fields will own just under 49 per cent of RGC leaving the public with just over 51 per cent, thus giving the newcomer "naturalised" status in Australia.

Under the recently revised merger terms, holders of every 100 CGFA shares are offered 53 RGC ordinary shares plus 36 deferred (no dividends before 1985) and A$180 (£104.65) cash.

Every 100 Renison get 100 RGC ordinary and A$400. Every 100 AMC get 28 RGC and A$58. Every 100 Mt. Lyell fully paid get 21 RGC and A$53 while every 100 partly paid shares get nine RGC and A$44.

RGC expects to declare a special dividend in August of 25 cents on the ordinary shares in lieu of a final dividend for the year to the end of this month. It is expected to pay a total of not less than 50 cents for 1981-82 and in the following two years RGC policy will be to pay out not less than 50 per cent of the distributable profits.

Meetings of the various shareholders will be held on June 25 and is all goes according to plan trading in RGC shares will start on or about July 27. Share certificates and cheques will be posted on or about August 21.

Imetal expects fall in profits

CONSOLIDATED profits of the Rothschild-controlled French mining group Imetal are likely to fall this year, according to M Bernard de Villemejane, the chairman.

While dividends from the group's principal investments are expected to be somewhat higher than in 1980, the difficult conditions facing the operating subsidiaries will probably lead to lower profits overall, he told the annual meeting.

Nevertheless, he added, Imetal will emerge from the current difficult period in a good position.

After a strong performance in 1979, Imetal's consolidated net profit fell last year to FFr 230m (£21m) from FFr 248m, despite a reduced loss from the troubled nickel interests in New Caledonia. The group's two other main subsidiaries, Penarroya and Copperweld, both suffered reduced profits.

Copperweld, based in the U.S., is the one bright spot for Imetal this year. The company has made a "very satisfactory" start to the year, notably in the steel tube sector, where its plants are operating at full capacity.

M de Villemejane points out that the market capitalisation of Imetal's 68.2 per cent stake in Copperweld is currently larger than for the whole of Imetal.

While Penarroya has felt some benefit from the slight improvement in the zinc market, it is still suffering from poor prices for lead and silver over the first few months of this year.

The value of Imetal's 50 per cent holding in Le Nickel-SLN, the New Caledonia venture with the state-controlled oil group Elf-Aquitaine, is to be written down by FFr 250m following last year's loss. The recovery in the dollar is expected to help this company in 1981.

Lead Industries Group, in which Imetal has a 24.7 per cent holding, has been suffering from poor economic conditions in the UK, made worse by the recent strength of sterling.

Testing continues at Blina 1 oil find

RESULTS of a further drill stem test of the promising Blina 1 oil discovery well in Australia's Canning Basin have been announced by Vamgas, the only quoted Australian participant in the consortium drilling the well.

In a statement to the Melbourne Stock Exchange Vamgas reported that a drill stem test of the interval 1,485 metres to 1,515 metres recovered 70 barrels of drilling mud with traces of oil and gas and some water.

Interests in EP 129, the licence area containing the Blina 1 discovery are: **Vamgas**, 20 per cent, half of which is being farmed out; **Occidental Petroleum**, 27.5 per cent; **Home Oil Australia**, the operator with 27.5 per cent; and **Alberta Eastern Gas** with 25 per cent.

The well flowed at a rate of 907 barrels of oil a day on an earlier drill stem test and has reached target depth of 2,496 metres. Testing of the interval between 2,269 and 2,290 metres produced 76 metres of drilling mud from the drill string.

More drill stem tests are currently being carried out on Blina 1, according Vamgas. The Blina 1 find has been followed by heavy speculative demand for Vamgas and shares in companies with exploration licences in areas surrounding EP 129.

The latter include **Eagle Corporation, Swan Resources, Australian Consolidated Minerals, Oil Company of Australia, Genoa Oil, Meridian Oil and Western Mining.**

Strong gains in Vamgas and the above stocks at the end of last week followed reports that senior executives of Home Oil had described the Blina discovery as a "world scale find."

JESSEL TRUST U.S. PURCHASE

An agreement has been signed in Houston, Texas, U.S., by Jessel Investments, a subsidiary of **Jessel Trust**, to invest $400,000 in the purchase of leases on potential oil and gas bearing land in Texas, Oklahoma and Arkansas.

A number of further agreements are under active discussion, it is stated.

ROSEHAUGH

Tolverne Investment Company is to become a wholly-owned subsidiary of **Rosehaugh Company**, the investment holding company. Rosehaugh which already owns 77 per cent of Tolverne, has contracted to purchase the remaining 23 per cent for £547,000 and has reserved the right to satisfy some or all of this by issuing new ordinary shares.

CHAMBERS & NEWMAN

Charterhouse Development Investments has acquired 75 per cent of the capital of insurance brokers, **Chambers and Newman**, and the directors of Chambers have acquired the remaining 25 per cent. The consideration values the company at £600,000.

Chambers currently has a premium income of some £4m per annum.

CAMBRIDGE ALLOTMENTS

The £16.2m offer for sale of 21.6m shares in **Cambridge Electronic Industries** attracted over 27,000 applications for 137m shares.

Preferential applications from employees in respect of 164,000 shares have been allotted in full. Applications from the public will be allocated on the following basis: Applications for up to 1,000 shares go in for a weighted ballot for 200 shares; applications for 1,200 to 2,000 get 300; 2,500 to 3,000—500; 3,500 to 4,000—650; 4,500 to 5,000—850; 6,000 get 1,000 shares; 7,000—1,200; 8,000—1,400; 9,000—1,500; 10,000 and over—approximately 16 per cent.

SHARE STAKES

Akroyd and Smithers—The following directors and their immediate families sold shares at 167p on June 4 as *follows*: B. K. Peppiatt beneficial 20,000 and non-beneficial 20,000; M. C. Sargent beneficial 50,000; S. E. J. Raven beneficial 10,000.

Anglo Scottish Investment Trust—Equitable Life Assurance Society and a subsidiary are beneficial holders of 1,995,000 shares (6.1 per cent).

Camrex (Holdings)—Hawley Leisure is interested in 1,515,000 shares — within this figure, 960,000 are held by Provincial.

Canadian and Foreign Investment Trust—Royal Bank of Canada (Channel Islands), Guernsey, has bought 995,000 shares.

T. Clarke and Co.—ITC Pension Trust jointly with ITC Pension Investments holds 9.1575 per cent of shares.

Globe Investment Trust—NCB Staff Superannuation Scheme, Mineworkers' Pension Scheme, Coal Industry Benevolent Trust and Mining Contractors' Pension Scheme hold a total of 28,574,043 shares (17.51 per cent). The holding was lifted above 17 per cent by purchase of 3.5m shares on June 10.

Meat Trade Suppliers—Mr S. N. Anstis' beneficial interest is now 310,668 shares (11.84 per cent).

Phicom—Scottish American Investment Company has purchased £19,000 8 per cent cumulative convertible redeemable preference stock, making total £325,500 (12.6 per cent).

John C. Small and Tidmas—Zahid Industries and Investments Company, following recent purchases, now holds 132,082 shares (11.01 per cent).

Western Dooars Tea Holdings—Assam Dooars Holdings has acquired 20,500 shares, making holding 225,659 (20.55 per cent).

SPAIN

June 12	Price %	+ or −
Banco Bilbao	344	+9
Banco Central	414	+9
Banco Exterior	317	+7
Banco Hispano	330	+5
Banco Ind. Cat.	125	+1
Banco Santander	390	+14
Banco Urquijo	216	+5
Banco Vizcaya	362	+9
Banco Zaragoza	269	+10
Dragados	225	+8
Espanola Zinc	90	+2
Fecsa	77	+1.3
Gal. Preciados	51.5	+1.5
Hidrola	85	+1.5
Iberduero	69.5	
Petroleos	145	+8
Petroliber	99	
Sogefisa	65	
Telefonica	83	+3
Union Elect	81	+1.3

THE TRING HALL U.S.M. INDEX

120.9 (+0.9)

at close of business 15/6/81

BASE DATE 10.11.80 100

ISSUE NEWS

ICC Oil gets quote on USM

DEALINGS ARE expected to begin on the USM next Monday in the shares of ICC Oil Services, following a placing of 1m shares at 10p each.

ICC specialises in corrosion protection and maintenance of North Sea oil rigs, using high-pressure water jet and wet blasting techniques. In the last few years, ICC has developed its own machinery for cleaning metal and concrete surfaces, and it now markets this machinery in the Middle East and South America.

Pre-tax profits have grown from £55,000 in 1977 to £209,000 in 1981, and the directors have warranted profits of not less than £300,000 for the year to March 1982.

ICC is coming to the market following a reverse take-over of Rollo Tea Estates, which has changed its name to ICC. As a results of the takeover, 1.26m of the 22.01m shares of ICC are already held by the public (former shareholders in Rollo which was quoted under Rule 163).

The Stock Exchange requirement that 10 per cent of the ICC shares be offered to the public is therefore satisfied by the placing of the additional 1m shares; 0.55m shares have been offered to, and are available through the market.

In accordance with the Takeover Code, the directors of ICC are making a cash offer of 10p a share to the former holders of Rollo shares.

The directors of ICC—Mr Ronald Smith, Mr George Telford and Mr Robert Collinson—will hold between them about 76 per cent of the equity after the USM flotation.

Brokers to the issue are Smith Keen Cutler.

● comment

ICC is very much the sort of small company which the architects of the USM must have had in mind when it was set up. It is still small — the placing price of 10p capitalises it at £2.2m—and growing rapidly; the compound annual rate of growth of pre-tax profits since 1977 is within a touch of 40 per cent. Reversing into the Rollo cash shell will liberate a modest amount of money, but the main purpose of coming to the USM is to make the shares of ICC usable in takeovers; ICC wants to graft onto its North Sea business a number of similar service operations which could be funnelled through the same trade contacts and managed by ICC's present staff. At the placing price the warranted fully-taxed p/e is almost 17, which is not exorbitant by comparison with the electronics and oil exploration stocks which dominate the USM to date. Dividends will be paid as soon as the deficit on Rollo's profit and loss account has been cleared; the warranted profit implies that there should be no obstacle to dividends in 1982.

Zygal—28% being placed

A PLACING is in progress for 28 per cent of the equity of Zygal, a company distributing and servicing computer printers and terminals.

The placing of 1,036,000 shares at 88p each will raise £912,000 for the company's co-founders Mr Con Driscoll and Mr John McLean. No new money for the company will be raised. Dealings are expected to start on the USM on June 23. At the placing price Zygal will be capitalised at £3.26m.

The company was started at the end of 1975 by the two men who were both previously with Rank Xerox. Profits over the last five years to March 31 1981 have grown from £26,000 to £252,000.

Apart from straight forward distributing of computer peripherals there is a certain amount of "value added" by modifying standard equipment to meet specific customer requirements.

The prospectus offers no forecast for the current year but the directors are aiming to pay a nominal dividend of 0.75p a share. On the placing price this offers a yield of 1.2 per cent. Based on last year's profits the earnings multiple is 26.9 fully taxed or 13.5 on the actual tax

FINE ART

The rights issue of 9.74m shares by Fine Art Developments has been taken up as to 88.9 per cent. The balance has been sold in the market at an average premium of 10.23p per share.

Introduction for Energy Source

Energy Source (Northern Ireland), an oil exploration play company with exploration interests including a licence to explore in the Rathlin area off Northern Ireland, will come to market under Rule 163(3) next Monday or Tuesday by way of an introduction.

The shares on offer will be made available from holders of the 10m "B" shares in issue created as part of a private placing last September.

Halliday Simpson, brokers to the introduction, have tested the existing shareholders and believe they may be willing to sell about 10 per cent of their shares at around 20p to 25p Mr Donald Godwin of Halliday, said yesterday. September's placing price was 10p.

The "A" shares, of which there are 2.5m in issue, are held by Energy Sources Inc., a Texan oil exploration company, chaired by Mr Eugene Mason, an international oil lawyer. ESI is traded in the U.S. "over-the-counter" market and has a current market capitalisation of about $25m.

It specialises in drilling in the low risk areas of Texas but in the mid 1970s set up ESNI to exploit the Rathlin licence application.

Last year's placement of shares involved options over a further 4.17m "B" shares until 1985. Including those as shares, the split between ESI and the "B" shareholders would be 40:60. However, ESI's "A" shares carry certain voting rights on the board.

The largest "B" shareholder is Mr Graham Ferguson Lacey, who holds 2.5m through NCC Energy and Energy Capital, two public companies which he chairs. Mr Ferguson Lacey and Mr Cecil McBride, his business associate, are both directors of ESNI.

ESNI is coming to market under the special rule for UK exploration groups which are permitted a quotation even though they do not have a track record.

The company has been very active in diversifying into exploration stakes outside Northern Ireland since last September's placement raised £1m. It has interests in Syria, West Germany, and Columbia—all in very early stages, and largely swopped for shares in the Rathlin licence.

That is also in a very preliminary state. Seismic studies have not yet begun in the area though a seismic report is expected by about September.

The most advanced holding is a 90 per cent stake in a small drilling well in Ohio, in the U.S., where initial drill tests are now being conducted and full operation should start by August, it is hoped.

Each of the existing interests will require further development capital and Mr Mason said yesterday that a rights issue was certainly planned though no date had been set.

Stock Exchange rejects Doloswella

THE STOCK EXCHANGE has refused to permit **Doloswella**, the much troubled provincial casino operator now restructured as an amusement arcade manager, to return to the market under Rule 163 (2).

At the same time it has also turned down an application from Gittins, the company's brokers, for it to be floated on the Unlisted Securities Market.

The refusals have angered both Gittins and Doloswella, who intend to make further applications.

Doloswella traded for many years on the old unlisted market in which the Stock Exchange had to give permission for each deal under Rule 163 (2). In June 1979 that permission was withdrawn while the company restructured itself.

Since then, however, the Stock Exchange has created the new USM market for unlisted companies and has restricted the 163 (2) market to a handful of companies with only a few shareholders not actively trading.

It has told Doloswella that it has too many shareholders (450) for that market and is likely to be too active.

On the other hand it is too young a company—in its present form—for the USM which specifies a truck record of three years.

Doloswella's accounts for 1979 were very late, not reaching shareholders until the following December. The accounts for 1980 showed a £100,000 pre-tax loss.

Yesterday, however, Mr. Stephen Forsyth, the managing director of Doloswella, forecast profits of £100,000 for the current year, and £250,000 for next year. "It is highly probable that we will reach £1m, after tax, in three years," he said.

The company is now specialising in amusement arcades in cities and "garrison towns," such as Chatham and Maidstone. It shuns seaside facilities.

Mr Forsyth compained that Doloswella, which is now to change its name to Leisure Investments, had "every qualification for the USM except for the age restriction" and claimed that this had been waived for other companies.

Ian Rodger examines the fortunes of the unlisted securities market

New London market takes off strongly

THE London Stock Exchange's Unlisted Securities Market (USM) is off to a surprisingly strong start.

After only seven months of operation, this nursery for the shares of small, promising companies has already attracted more than 40 entrants. Another 20 applications are being considered by the Exchange. The average USM share trades at 23 times fully taxed underlying earnings—a much higher rating than in the stock market itself.

The USM's quick and easy success indicates that its creation was long overdue. Indeed, largely because of the soaring cost of obtaining a Stock Exchange listing, the flow of new companies to the market all but ceased in the mid-1970s. In effect, a vital part of the market system for channelling savings into new businesses and rewarding successful entrepreneurs was no longer working.

The Stock Exchange first reacted to this alarming development by suggesting in 1978 that small companies could go public under its Rule 163. This rule enabled the exchange to approve occasional transactions in the shares of football clubs, small breweries and other closely-held, small, public companies. The 163 market was totally unsupervised but it would do for small industrial companies until a better solution was found.

The response was electrifying. Dozens of small companies went public this way and, by last October, nearly 2,000 bargains a week worth a total of £14m were being made under Rule 163.

The Exchange's initial USM proposals were published in December 1979 and, after discussion and modification, the market was launched last November with 12 companies, all but three of which moved over from the 163 market.

The most important difference between the USM and a listing is cost. A company coming to the USM in the usual way with a placing of about £0.5m-worth of shares can expect to face a total bill of £60,000, about half the price of a listing.

The saving comes mainly from less substantial advertising requirements but also from the waiving by the Exchange of the entrance fee, which can be as high as £11,000 for a listing.

The accounting requirements are also less substantial. But many sponsoring brokers and merchant banks nevertheless feel the need for a full investigative report.

Another significant concession to USM companies is that they need float off only 10 per cent of their share capital, compared to a minimum 25 per cent for a listing. The idea is to accommodate entrepreneurs who are reluctant to give up much equity in the early stages of their company's growth. USM companies can also make relatively bigger acquisitions than listed companies without having to send circulars to their shareholders.

Of the 46 companies in the USM today, 24 moved over from the 163 market and several more are likely to follow suit before the end of the year when rule 163 is to revert to its original function. Seventeen companies have come directly to the USM by way of placings, three by offers for sale, one by offer for sale by tender and one by invitation to subscribe.

The main motive for coming to the market is to enable the entrepreneurs to realise part of the capital built up in the business. The entire £337,000 raised by Trident Computer last week went to existing shareholders as did the £300,000 raised by United Ceramic Distributors the week before and the £2m raised by Heelamat last November.

UNLISTED SECURITIES MARKET TURNOVER

Period covered	Number of days	Total value £m	Total bargains	Average value per day £m	Average bargains per day	Average value per bargain £
10.11.80— 2. 1.81	37	52.176	8,710	1.410	235	5,990
5. 1.81— 3. 4.81	65	60.823	10,870	0.936	167	5,595
23. 3.81—27. 3.81	5	4.551	965	0.910	193	4,716
30. 3.81— 3. 4.81	5	4.559	1,475	0.912	295	3,091
6. 4.81—10. 4.81	5	6.800	1,874	1.360	375	3,629
13. 4.81—16. 4.81	4	2.693	1,030	0.673	258	2,615
21. 4.81—24. 4.81	4	5.079	950	1.270	238	5,346
27. 4.81— 1. 5.81	5	9.253	1,231	1.851	246	7,517
5. 5.81— 8. 5.81	4	5.348	725	1.337	181	7,377
11. 5.81—15. 5.81	5	5.920	2,021	1.184	404	2,929
18. 5.81—22. 5.81	5	5.555	2,017	1.111	403	2,754
26. 5.81—29. 5.81	4	3.173	706	0.793	177	4,494
1. 6.81— 5. 6.81	5	2.981	578	0.596	116	5,157

Source: Stock Exchange

Sometimes, part of the proceeds of a placing is earmarked for the company even if it does not need the money. Rolfe and Nolan Computer Services still has the £123,000 raised when it came to the 163 market a year ago.

USM companies fall into perhaps three categories, oil exploration, industrials and greenfield ventures.

The ten oil exploration companies tend to be the largest in terms of market capitalisation. Most would qualify for full listings if they had sufficient profit records, and the high capitalisations reflect investor interest in asset values. The USM is not going to take in the long list of North American oil drilling funds that were the market's fancy last year. They will remain in the 163 market.

The industrial companies are the heart of the market. Most have five- to ten-year track records and pre-tax profits ranging around £0.5m. Many are in computers or other high technology fields, perhaps reflecting a current market enthusiasm for these sectors. Times are tough for most conventional industries and so some flotations have probably been postponed until the profit outlook improves.

Still, the interested investor can find in the USM today a brick-making company (Dunton) a distributor of garden and pet products (Crampborn), a brewer (Fuller, Smith and Turner), a builder (McLaughlin and Harvey), livestock auctioneers (Midland Marts), a plastic bag maker (R. H. Morley), an advertising business (London and Continental Advertising), a travel company (Intasun) and a ceramic tile distributor (United Ceramic).

Although the USM regulations stipulate that companies should have at least a three-year trading record, the Stock Exchange made it known that it would also allow entry to totally new ventures. So far, only two greenfield companies have come along: Hesketh Motorcycles, which is developing a new British-built motorcycle, and SelecTV, which is planning to offer pay-TV service in three communities.

Neither has performed brilliantly in the market and cannot be expected to until the projects develop. The Stock Exchange says no other greenfield ventures are in the pipeline.

Some analysts have complained that the small quantity of shares made available by most USM companies results in a shortage that pushes market prices to very high levels. This, in turn, it is argued, places pressures on management to produce impossibly good results.

Business Computers, for example, placed 25 per cent of its shares at 85p where the historic price-earnings ratio was already a hefty 23, but the price soared in initial dealings to 140p and is still in the 125p range.

The stock exchange doubts that investors suspend their judgment of share values just because of an alleged shortage of stock. Business Computers, like many other USM companies, just happens to be in a sector that commands a glamorous rating these days.

As for pressure, the company's directors claim that the high expectations implied in such ratings do not disturb them. "Maybe people are being too speculative," Mr M. G. Alcock, an executive director of Business Computers said, "but it is not our responsibility to support that kind of expectation."

One reason for the high investor interest in the USM may be that the Stock Exchange quickly showed that the rules would be interpreted strictly and enforced vigorously.

"The requirements are much closer to those of a full listing than when the USM was conceived," Mr Martin Gibbs of Phillips and Drew, says. "But I think the Stock Exchange has got it just about right."

Any doubts about enforcement were put to rest in February when the Exchange abruptly suspended the placing of Euroflame shares after the company's chairman had made an off-the-cuff profit forecast at a press conference. Before the placing was allowed to proceed, the company was obliged to produce a new prospectus with a properly certified forecast at an additional cost of £60,000.

As the market has established its credentials, it has also attracted a wider range of companies and sponsors. The appearance of leading brokers Cazenove last month in the Business Computers placing was widely noted and described by one USM jobber as a breakthrough.

However, the USM is most remarkable for bringing forward several seldom-heard broker names and, so far, no single broker represents more than three companies.

If there is no dominant stockbroker in the USM, there certainly is a single prominent sponsoring house, and that is the colourful Tring Hall Securities. Tring was reorganised in September 1979 by its present managing director, Mr Denis Poll, to specialise in bringing new issues to the 163 market, and has since turned its attention mainly to the USM. It has done five of the 17 USM placings and expects to maintain the pace.

Tring is of special interest partly because some of the companies it has brought to the market are led by well known City figures. Trust Securities, for example, is headed by Mr Peter Jones, former joint managing director of Compass Securities.

Intervision, formerly John Baker (Insulation), and still traded in the 163 market, is headed by Mr John Bentley who engineered share transactions at the end of 1979 so the company could meet its profit forecast. Mr Tom Whyte, former head of the collapsed Triumph Investment Trust, turned up as a significant shareholder in Thames Investment and Securities, another Tring issue.

Tring has also attracted attention with its novel practice of offering allocations on all its placings to its own shareholders. Tring states proudly that anyone who had exercised all such rights to date would be showing a 71 per cent profit.

That policy reveals a USM paradox — most new issues in it are less accessible to the general public than are issues in the main market. Most USM issues are very small and so a general offer for sale would be a nonsense as well as being too expensive to execute. Typically, companies come to the market by way of small placings that the sponsors distribute quickly among institutions and a few valued clients. An individual can gain entry through the investment trusts that are already being set up to specialise in USM shares.

The USM is intended to be a nursery but the Stock Exchange may have difficulty persuading companies to move out of it and into the main market as they grow. Apart from the prestige of a full listing, the main market has little to recommend it except higher costs and slightly tougher requirements. Some investment institutions are restricted in the proportion of their assets they can put in unlisted securities but the only significant one is a 10 per cent limit on local authority pension funds.

The feeling is that once a company's profits exceed £1m, it is ready for a full listing but Intasun has already wildly exceeded this guideline with estimated profits last year of £10.1m.

The Stock Exchange proposed originally that companies be obliged to move out of the USM when profits exceeded a certain level but this was widely opposed and ultimately dropped.

The Exchange is still worried that the USM may grow at the expense of the main market and this could be one of the few areas where adjustment may be needed after a couple of years of experience.

Chamberlain Phipps downturn to £1.86m

WITH second-half profits falling from £2.41m to £1.12m, Chamberlain Phipps, footwear, automotive, wallpaper and packaging group, finished the year to March 31, 1981, well behind at £1.86m pre-tax, compared with a record £4.15m.

Turnover was also down, from £67.85m to £62.67m, and although it was a difficult year, action has been taken to consolidate the group's financial position and real benefits have been gained.

The directors are confident that Chamberlain is in a strong position to recover its profitability and return to a pattern of growth when the recession passes.

The dividend has been maintained at 3.1p net per 10p share, with a same-again final payment of 2p. Earnings per share are well down at 4.82p against 13.46p.

Mr W. R. F. Chamberlain, chairman, says there was a critical review of all group activities during the year, with the objective of reducing costs, conserving cash and disposing of investments not providing a satisfactory return.

As a result, total indebtedness was reduced from £6.2m to £4.44m, as at March 31, which, with an increase in reserves—a property revaluation produced a surplus of £1.21m—has decreased group gearing from 50 per cent to 33 per cent.

Pre-tax profit was struck after interest payable, less receivable, of £853,000 (£777,000), but included associates' share of £26,000 (£50,000).

Dividends absorb £730,000 (£711,000) leaving a £430,000 loss (£2.1m profit).

On a CCA basis the pre-tax figure is reduced to £208,000.

Investments in manufacturing shoe lasts in the Gradewell Last Company, and Fine Line Last Company have been sold, as well as the business and assets of Chamberlain Phipps (Automotive).

Faire Brothers and Company's factory in Nuneaton was closed and the profitable part of the production was transferred to its Leicester factory. In addition, costs were cut in all factories.

The moulding division has been incorporated into the shoe sector, the directors state. All divisions suffered from lower sales—except the overseas companies—and reduced margins overall.

● **comment**

Chamberlain Phipps has cleared out the loss-making activities and though there is no appreciable improvement in second half trading profit against the first, the pre-tax level is ahead by some 50 per cent. The cost of this pruning has largely fallen below the line (only £50,000 to off the pre-tax) leaving an attributable loss for the year. The balance sheet, however, is little worse for wear. Lower levels of activity, the sale of the loss-makers and some financial tightening has reduced working capital requirements and clipped £1.8m from overall net borrowings even though a $3m term loan has been added in the U.S. to cover expansion of moulded footwear components. The thrust of the group's expansion is coming overseas with the U.S. plant and a totally new product—complete moulded footwear—being added to the Canadian operation. The management is also eyeing the Far East with some joint venture in mind. The message is that trading in the last quarter was improving so perhaps a tentative £2½m pre-tax can be expected this year a fully-taxed multiple of around 8. The yield at 40p is a supportive 11.7 per cent.

Standard Fireworks improves

PROFITS OF Standard Fireworks advanced sharply in the 12 months to March 31 1981, the pre-tax figure emerging £261,504 higher at £799,661. Trading profits rose from £460,537 to £706,222.

The dividend for the year is being stepped up from 6.625p to 7.5p net and a scrip issue on a one-for-two basis is also proposed.

After tax the net balance came through at £469,324, compared with £273,262.

Current cost accounting reduce the pre-tax surplus to £610,585.

In his interim statement last December the chairman said that the company had continued to make successful progress with sales of traditional fireworks constituting a record showing.

20 companies wound up

Compulsory winding up orders against 20 companies were made by Mr Justice Dillon in the High Court yesterday. They were: Lindum International Transport, S.E.S. Fuel Economy Systems (North West), AZHA, Tartan Computer Services, Thimo, Company Communications Centre, Hereford Tiles, Clearleigh (Philip Freight), Arbitoner.

Vinyl Components, V.C. Building Supplies, The Interexec Register, L.C.L. Bookshop, Lynton Properties (Tonbridge), Littwain, Glazebourne, Beechknoll, Euroco Business Systems, T and S Erectors and Ventdale (Lifts).

CANADIAN & FRGN. INVESTMENT TST.

Royal Bank of Canada (Channel Islands) which acted last Thursday in acquire 14.9 per cent of Canadian and Foreign Investment Trust, would not indicate yesterday whether it would buy any more shares.

Mr Nils Taube, chairman of Canadian and Foreign, but in this case acting for Royal Bank, in his role as a partner in stockbroker Kitcat and Aitken, said yesterday that no further details were available.

Canadian and Foreign itself, however, has said that preliminary discussions were taking place between the two parties over the investment trust's future.

LONDON SUMATRA

Following further acceptances to Harrisons and Crosfield's offer for London Sumatra Plantations in respect of 261,074 shares, H and C has a total interest in the company of 14,472,824 shares, or 90.84 per cent.

Godfrey Davis down to £2.57m

IN ITS first consolidated accounts after re-organisation following the disposal of its daily rental activities, Godfrey Davis Holdings, car hire specialist and main Ford dealer, reports a fall in pre-tax profits.

Figures for the year to March 31, 1981 were down from £3.04m to £2.57m, and turnover was lower at £82.74m compared with £87.66m. At the interim stage pre-tax profits were £2.81m against £4.37m.

As already known, the second interim dividend has been cut from 3.5p to 1.5p for a total of 3.5p (5.5p).

There was an exceptional debit of £79,000 compared with a credit of £10,000, and extraordinary items this time accounted for £2.41m which resulted in an attributable loss of £156,000 (£2.33m profit).

Extraordinary items include a provision of £1.71m for re-organisation expenses and deferred tax of £1.65m, less advance corporation tax recoverable of £954,000, which arises from the re-organisation.

Tax took £345,000 against £706,000, and the year's total has been reduced by ACT amounting to £752,000 previously written off.

The cars operation, basically four Ford main dealerships, contributed £75.83m turnover against £79.01m and a profit of £2m (£2.39m).

Leisure interests accounted for a turnover of £6.6m (£8.36m) and profits of £608,000 (£563,000), and property £306,000 (£298,000) and £42,000 (£73,000).

Mr Cecil Redfern, the chairman, estimates asset value at around 130p a share and notes that mobile homes, in the books at £1.6m are likely to be revalued at approaching twice that this year.

Looking at the current year, he says: "It is very early days, but I expect to make more money than these very satisfactory results."

Since the Europcar deal he has had hundreds of acquisition ideas put to him. The company could spend some £15m on acquisitions. He does not see the company expanding in motor dealing as it has the maximum number of Ford main dealerships.

Mr Readfearn says RIT holds some 29 per cent of the shares and "could not be more friendly."

After dividends, which absorb £539,000 (£831,000), there was a retained loss of £715,000 against profits of £1.5m. Stated earnings per 25p share were lower at 14.7p (15.4p).

On a CCA basis, pre-tax profits were £1.83m (£2.04m), and there was an attributable loss of £932,000 (£1.33m profit). Current cost earnings per share improved from 8.8p to 9.6p.

Shareholders' funds, on an historical basis, were £19.41m (£20.12m) and £19.9m (£20.74m) with CCA applied.

● **comment**

The disposal of the car hire fleet and depots eliminates the massive funding requirement foreseen by Godfrey Davis in forthcoming years but it also removes the group's comprehensive tax shelter. It estimates that the vehicle distribution (including the used car and contract hire) business together with the holiday camps and mobile home park operations will be liable to be full rate mainstream tax from now on and perhaps a little more to allow for the depreciation of investment property holdings. The property side, worth £306,000 last year, stands to become a major income contributor over the 21 years of the Europcar lease since the tenant is now subject to a three year reversionary term. And a revaluation of a mobile home parks would perhaps lift net asset backing by some 10p to around 140p per share. The shares, up 1½p to 74½p yesterday, are unlikely to respond to the asset argument while the UK vehicle market is so flat. Godfrey Davis seems to have been much faster on its feet than many competitors by reducing its stocks at the onset of recession and claims that year end inventories would have been materially lower but for the Ford spring price rise. The shortfall in the contribution here was limited to about £400,000 at just over £2. Yielding 7 per cent on a fully taxed historic p/e of 8.7, the shares are still fair value, allowing for the very dull performances of the rest of the motors sector, but interest now rests on that when and where of asset redeployment.

BURNDENE INVESTS.

James B. Murdoch has acquired 1,146,250 shares in Burndene Investments with those already held, makes holding of 1,526,250 (14.89 per cent).

Raglan expects substantial rise

BY ANDREW TAYLOR

THE RECOVERY at Raglan Property Trust appears to be gathering momentum. The property group which was rescued from serious financial problems in the mid-1970s is expecting a substantial uplift in profits in the year to next March.

The group has a number of sizeable development schemes in the pipeline. It has already agreed to sell the first of these, a 26,000 sq ft office scheme to the AA pension fund for around £2.4m.

Raglan's share of the deal is likely to be around 20 per cent (£450,000) and the bulk of the cash should be included in the current year's profit figures with the scheme—which has been prelet to Becton Dickinson the U.S. pharmaceutical group—due for completion in April 1982.

Meanwhile, Raglan has only just got around to publishing its first half figures for 1980-81. In the six months to September 30 1980 pre-tax profits increased from £21,818 to £30,029.

Second half figures are likely to show a similar trend to the first. Mr David Anderson, Raglan's chairman, said that profits for the year would exceed the £57,774 earned in 1979-80.

The group's policy since its reconstruction, following the property crash, has been to move back gradually into the development field in its own right—through equity sharing schemes, project management and property management.

Raglan has a number of proposed developments under consideration. Some of these, however, still require a funding partner. Mr Anderson does not anticipate this will be a problem once one or two planning obstacles associated with some of the schemes are overcome.

The biggest problem looks like being in Oxford where Raglan proposes a 135,000 sq ft shopping scheme on a site currently occupied by Oxford University Press. The scheme has met strong local opposition and seems likely to go to a public inquiry.

Raglan has also obtained planning permission for an 86,000 sq ft warehouse and factory nursery unit development at Neasden on another Oxford University Press site. OUP is rationalising its distribution network and moving to Corby.

Other recent schemes announced by Raglan include a £1.6m shopping centre in Newport in partnership with the local authority and a 26,000 sq ft office scheme in Bristol for which funding has still to be sought.

Mr David Anderson said yesterday: "Even if some of the schemes fall by the wayside there are sufficient developments waiting in the wings to suggest that over the next few years Raglan will see a substantial uplift in profits."

The group should start to see the benefits of new schemes such as that at Cowley in the current year. Meanwhile half year figures published yesterday show earnings per share of 1p ordinary stock of 0.12p compared with 0.08p a year ago.

Better trend at Audiotronic

AFTER CREDITING exceptional items of £153,000, Audiotronic Holdings, the electrical distributor that depends on its bankers' facilities for survival, turned in a taxable profit of £80,000 for the year to March 1 1981. Previously a pre-tax deficit of £1.78m was incurred, struck after exceptional losses of £1.03m.

The exceptional profits refer to the write back of provisions made in previous years on the termination of retailing operations but no longer required. They were split between: UK £26,000, Belgium £74,000 and France £53,000.

For the first 26 weeks, the company reported a pre-tax loss of £145,000, compared with a £13,000 profit on the continued businesses.

As expected, no dividends are being paid for the year on the preference or ordinary shares.

At the last annual meeting in December, Mr A. G. Macpherson, who became chairman in October when Mr Geoffrey Rose left the board, said some progress was being made towards recovery even though it would still be premature to predict a return to overall profitability.

Turnover for the year of the continuing group amounted to £12.6m, compared with £14.89m. The loss before the exceptional items, was cut from £732,000 to £73,000.

After overseas tax credits of £156,000 (£3,000) and extraordinary credits of £28,000 (£2.43m debits) there was a retained surplus of £264,000, against a £4.28m deficit.

Loss per share was reduced from 17.3p to 0.2p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$450	8	41	6	64	—	—	$471.75
GOLD C	$475	3	24	5	48	—	—	"
GOLD C	$500	20	16	1	33	—	—	"
GOLD C	$525	—	—	114	26	—	—	"
GOLD C	$550	95	5	100	15	—	—	"
GOLD P	$450	—	—	—	—	2	20	"
GOLD P	$475	3	17	—	—	—	—	"
GOLD P	$500	1	28	—	—	—	—	"
		July		Oct.		Jan.		
ABN C	F.300	23	6	40	11	—	—	F.296
AKZO C	F.20	29	6.10 B	51	6.90	—	—	F.26.10
AKZO C	F.22.50	57	3.60	30	4.50	—	—	"
AKZO C	F.25	145	1.70	40	2.90	39	4	"
AKZO C	F.27.50	42	0.50	85	1.20	52	1.90	"
AKZO P	F.25	15	0.40	12	0.80	26	1.10	"
AMRO C	F.55	30	2	24	4.50	10	6	F.56
AMRO C	F.60	—	—	31	1.30	—	—	"
HEIN C	F.60	—	—	15	1.80	—	—	F.65.10
HOOG C	F.17.50	50	2 A	60	3.30	—	—	F.19
HOOG C	F.20	—	—	93	1.60	35	2.40	"
KLM C	F.110	35	20	—	—	—	—	F.129.20
KLM C	F.120	110	15.50	—	—	—	—	"
KLM C	F.130	143	8.50	11	15	—	—	"
KLM C	F.140	87	4.20 B	35	9.50	—	—	"
KLM C	F.150	161	2	12	5.50 B	—	—	"
KLM P	F.100	19	0.60	25	3	—	—	"
KLM P	F.110	75	1.50	19	5	—	—	"
KLM P	F.120	102	3	—	—	—	—	"
KLM P	F.130	40	8.30	—	—	—	—	"
NATN C	F.120	—	—	17	4.20	—	—	F.114.90
NATN C	F.125	—	—	57	2.20	—	—	"
NATN C	F.130	—	—	102	1	—	—	"
NATN P	F.115	—	—	15	3	—	—	"
PHIL C	F.20	502	4.60	235	5.20 B	58	6	F.24.40
PHIL C	F.22.50	198	2.60	153	3.10	28	4.10	"
PHIL C	F.25	145	1	269	2.10	417	3	"
PHIL C	F.27.50	123	0.40	723	1.10	186	1.70	"
PHIL P	F.22.50	—	—	40	0.40	—	—	"
PHIL P	F.27.50	—	—	65	1.30	30	1.80	"
PHIL P	F.25	—	—	47	3.30	13	3.50	"
RD C	F.90	42	1.60	45	4.30	37	6	F.84.80
RD C	F.95	22	0.50	—	—	—	—	"
RD C	F.100	—	—	—	—	21	3	"
RD P	F.80	26	1.40	35	3	—	—	"
RD P	F.90	34	6	22	8.80	—	—	"
		Aug.		Nov.		Feb.		
BASF C	DM.140	20	1.80	—	—	—	—	DM138.70
VEBA C	DM.130	20	3.50	—	—	—	—	DM129.10

TOTAL VOLUME IN CONTRACTS 6015
A=Asked B=Bid C=Call P=Put

RESULTS AND ACCOUNTS IN BRIEF

INTER-CITY INVESTMENT GROUP—Results for 1980 reported June 3. Shareholders' funds £2.37m (£2.35m). fixed assets £1.47m (£1.31m), net current assets £624,000 £(978,000). Net liquid funds decreased by £134,000 (£519,000). Meeting, Winchester House, EC, July 7, 10.30 am.

LONDON ENTERTAINMENTS (theatre producer and manager)—Results for half year to February 28, 1981: no interim dividend (same): pre-tax profit £91,506 (£95,281); tax £31,130 (£3,036); attributable profit £60,376 (£59,218).

MORGAN CRUCIBLE COMPANY (supplier of materials and components to electrical, mechanical, electronic and chemical industries)—Results for 1980 and prospects reported April 10. Group shareholders' funds £62.47m (£54.88m). Net current assets £26.61m (£28.68m). Fixed assets £50.16m (£39.71m). Net liquid funds decreased £2.02m (£4.38m). A professional revaluation of freehold and long leasehold properties at the end of 1980 produced net surplus of some £6.5m which has been added to reserves. Meeting, Cafe Royal, W, July 7, 11.30 am.

FOSTER BROTHERS CLOTHING—Results for year to February 28 1981 and prospects reported May 22. Shareholders' funds £33.82m (£27.89m). Fixed assets £30.17m (£27.24m). Net current assets £8.06m (£8.49m). Working capital increased £3.63m (£0.61m decrease). Meeting, Solihull, July 8, noon.

WINTERBOTTOM ENERGY TRUST—On June 12, net asset value per share was 72.8p after prior charges at par, and 75.5p after prior charges at market value.

CARDIFF PROPERTY—Results for the half-year to March 31, 1981: Pre-tax profit £19,668 (£20,554), tax £7,600 (£2,718), attributable profit £12,068 (£17,836). Interim dividend 0.6p net (same).

JOHN FOSTER AND SON (spinner and manufacturer of mohair cloths)—Results for year to end February, 1981 and prospects reported May 27. Group fixed assets £3.02m (£3.18m): net current assets £2.51m (£3.3m). Shareholders' funds £5.1m (£5.95m). Working capital decreased £877,926 (£766,251). Capital expenditure £117,212 (£261,975). Meeting, Bradford, July 8, 12.30 pm.

VIKING RESOURCES TRUST—Break-up value of the company is 101p.

PARKLAND TEXTILE (HOLDINGS) (worsted comber, spinner and manufacturer)—Results for the year to February 27 1981 reported June 3. Shareholders' funds £11.51m (£11.61m): current assets £13.45m (£15.85m): current liabilities £3.87m (£7.39m); fixed assets £6.28m (£6.76m). Decrease in net bank borrowings £3.81m (£355,000). Decrease in stocks £1.52m (£76,000 increase). Accounts show historical pre-tax profit £202,000 (£1.36m) as loss £1.18m on CCA basis. Company expects to place orders to value of £1m in current year for new machinery. Meeting: Leeds, July 8, 12.30 pm.

LONDON TRADED OPTIONS

June 15 Total Contracts 1,387 Calls 1,259 Puts 128.

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	360	9	7	22	3	36	5	348p
BP (c)	390	3	2	12	2	22	1	"
BP (p)	330	6	2	11	2	17	—	"
BP (p)	360	18	43	28	1	32	1	"
BP (p)	390	42	16	44	14	44	—	"
BP (p)	420	72	—	72	14	72	5	"
Com. U'n (c)	180	4	—	10	—	15	4	167p
Cons. Gld (c)	460	30	20	47	—	58	—	475p
Cons. Gld (c)	500	10	2	25	20	38	—	"
Cons. Gld (c)	550	3	5	11	2	23	10	"
Cons. Gld (c)	538	1	5	—	—	—	—	"
Court'lds (c)	60	9	3	14½	4	17	—	68p
Court'lds (c)	70	3	3	7½	—	10½	—	"
Court'lds (c)	80	1	10	3	—	5½	25	"
GEC (c)	650	35	15	62	—	87	—	675p
GEC (c)	700	10	3	32	10	57	—	"
Gr'd Met. (c)	180	37	76	40	96	49	1	214p
Gr'd Met. (c)	200	17	85	27	239	36	20	"
Gr'd Met. (c)	220	5½	55	15	53	24	1	"
ICI (c)	260	36	—	46	1	58	—	288p
ICI (c)	280	17	53	30	6	44	—	"
ICI (c)	300	7	17	18	11	30	—	"
ICI (c)	330	1½	—	9	19	16	1	"
Land Sec. (c)	360	33	10	47	—	57	—	390p
Land Sec. (c)	420	3	3	15	—	23	5	"
Mks & Sp (c)	130	4	3	11½	—	17½	2	128p
Mks & Sp (c)	140	1½	—	7	4	10	1	"
Shell (c)	330	38	45	38	—	48	—	346p
Shell (c)	420	3	—	7	6	11	2	"
		August		November		February		
Barclays (c)	350	68	5	70	—	—	—	420p
Barclays (c)	390	40	10	50	—	65	—	"
Imperial (c)	80	2	—	3½	—	6	15	72p
Lasmo (c)	650	8	3	18	—	—	—	534p
Lonrho (c)	80	7½	20	11	30	15½	—	93p
Lonrho (c)	100	3½	—	5½	1	9	6	"
Lonrho (c)	110	1½	5	4	—	—	—	"
Lonrho (p)	90	4	2	6	—	9	25	"
P & O (c)	140	3	—	7	3	10	—	129p
Racal (c)	330	33	45	51	—	61	—	362p
Racal (c)	360	17	3	32	4	45	—	"
Racal (c)	390	6	21	18	—	30	—	"
Racal (p)	360	15	3	20	—	24	—	"
RTZ (c)	420	98	—	110	1	—	—	505p
RTZ	500	28	21	50	4	68	—	"
RTZ	550	15	81	30	6	42	1	"

C=Call P=Put

Alex Smith joins consultants board

Sir Alex Smith has joined the board of HANDLEY-WALKER COMPANY, management and industrial consultants. Sir Alex was head of advanced research Rolls-Royce from 1956-67, and director and chief scientist Rolls-Royce and Associates, 1967-69. He was appointed director of Manchester Polytechnic in 1969.

★

Mr C. A. Lomberg has been appointed deputy chief executive of SIMON ENGINEERING, and he will continue for the time being as chairman of the Simon Process Plant Contracting Group. Mr P. C. H. Cook has become executive responsible for the Simon Oil Services Group, and president of Simon United States Corporation and Simon United States Holdings Inc., and will be resident in the U.S. He continues as a member of the Simon Engineering board.

★

Two appointments have been made to the board of GUARDIAN ROYAL EXCHANGE ASSURANCE. They are Casimir Prinz Wittgenstein, chairman of Albingia Versicherungs-Aktiengesellschaft, GRE's German subsidiary, and Mr J. Julian L. G. Sheffield, chairman of Portals Holdings.

★

Mr Geoffrey Moss has been appointed regional adviser in the north-west to EQUITY CAPITAL FOR INDUSTRY. Formerly chief executive of Edbro (Holdings), his present directorships include Hunting Associated Industries and H. Hunt.

★

Two appointments have been made by EMI FILMS. Mr Andrew Mitchell is to be production controller of all EMI UK-based films in addition to his responsibilities as managing director of EMI Elstree Studios. Mr Bob Mercer becomes director of creative development of EMI Films. The company is a member of the Thorn EMI Group.

★

Sir John Russell has been appointed a director and chairman of ELF AQUITAINE UK (HOLDINGS) and Mr Jacques Pavard continues as managing director of the holding company. Mr Pavard has become chairman of Elf UK Ltd. Sir John remains a director of that company and Mr Claude Ménétrier, managing director.

★

Mr T. N. W. Akroyd is to become president of the INSTITUTION OF STRUCTURAL ENGINEERS for 1981-82 to succeed Professor Michael Horne next October. Mr Clifford Evans will be senior vice-president and Dr Roy Rowe, Mr James Sutherland, Mr Alistair Paterson and Mr Kenneth Stevens, vice-presidents. Dr Francis Walley will be honorary treasurer and Professor Arthur Bolton, honorary secretary.

★

Mr Ian Bell has been appointed general manager (development) of the PROVINCIAL BUILDING SOCIETY. He joins Provincial from the Leeds Permanent Building Society.

★

Sir Charles Troughton has been invited to continue as chairman of the BRITISH COUNCIL for a further two years following the end of his term of office on December 31 1981.

★

Mr Ray Haddrell has retired as chairman of IPC BUSINESS PRESS INFORMATION SERVICES but has been appointed vice-chairman to continue his responsibilities for group overseas activities.

★

Mr M. A. Culme-Seymour and Mr C. G. Palmer have been appointed to the board of V. BERG AND SONS. Mr R. J. Ruane has resigned as a director.

★

Mr Peter Barden, Mr Harry Bosser, Mr Robert Charters and Mr Leon Levy have joined the board of MEN'S AND BOYS' WEAR EXHIBITIONS.

★

Mr Clive Thomas has been elected vice-president of the UK Chapter of the INTERNATIONAL ADVERTISING ASSOCIATION. Mr Thomas is senior vice-president, McCann-Erickson International with European responsibilities.

★

Following the acquisition of Tube Investments' shareholding in TI POLMACH by Metalexport, in Warsaw, the board of Polmach is now Mr S. Ziala, chairman (Metalexport); Mr J. Swidzinski, managing director; Mr A. Pazdanowski, technical and sales director; Mr H. Sawicki, company secretary, and Mr B. Kamola, director of Polmach Warsaw office. Mr G. E. Harridence is UK and overseas sales manager and the company's service operation will be under the control of Mr J. Paryle. Mr A. Green will continue to be responsible for the spares department. The company is expected to be re-named Polmach Limited.

BORROWER PROFILE

Belgium faces test on margins

BY PETER MONTAGNON, RECENTLY IN BRUSSELS

TWO YEARS ago the Euromarkets watched with great excitement as Belgium brought its first "jumbo" Eurocredit to the market. Three jumbos later and with the prospect of more to come, enthusiasm has begun to wane.

This it not merely a question of the novelty wearing off. When examining Belgium, international bankers are forced to admit that the country does not bear all the hallmarks of the tip-top credit rating it claims to represent.

Its frequent political crises—the latest was in early April when the coalition Government of Mr Wilfried Martens was toppled by a heavy speculative run on the Belgian franc—have left successive governments with little room to manoeuvre in cutting public spending in a country with wage indexation and high social security benefit payments.

As a result, the budget deficit is growing inexorably. After a total gross shortfall of BFr 403bn ($10.3bn) last year, estimates of the Government's deficit in 1981 are being constantly revised upwards with the most educated guesses at the moment putting it in the region of BFr 450bn. Including local government credit, the full public sector borrowing requirement is even higher at BFr 600bn to BFr 700bn.

The effects have permeated the economy. Private consumption has been held at artificially high levels, leading to a rapid deterioration of the current account balance of payments; real interest rates are among the highest in the industrialised world; and the private sector has been squeezed out of the domestic capital market, which is now unable to satisfy the demands of the state.

It is thus small wonder that the latest domestic bond issue launched last week by the Government has been dubbed a "crisis loan" by the banking community. The BFr 70bn issue, fully underwritten, incorporates special tax features to attract back into the country money which is constantly flowing out to avoid Belgium's 20 per cent withholding tax.

Government officials hope that it will eventually raise as much as BFr 100bn, but even if this target is achieved it is clear that Belgium will have to raise substantial sums of money abroad this year to satisfy all its needs.

Quite how much will be needed depends not only on the result of the crisis loan but also on fresh revisions of the budget deficit, expected to be completed within about two weeks.

In the first five months of this year, Belgium raised a net total of around BFr 180bn domestically, including money at short term. Foreign indebtedness, meanwhile, rose by around BFr 100bn from the BFr 153bn total posted at the end of last year, when total Government debt was around BFr 1,957 bn and that of the whole public sector around BFr 2,700 bn ($68.97 bn).

Belgium's borrowing abroad has been intended to cover budget requirements, rather than the balance of payments deficit, although this is also growing, and is likely to turn out well above BFr 200bn this year after BFr 187bn last.

Political crises and budget and balance of payment deficits are making it increasingly likely that Belgium will have to forego its traditional ⅜ per cent Libor if it seeks any more "jumbo" Eurocredits

Raising more money abroad now, however, poses something of a dilemma for the Belgian authorities, who have grown used to obtaining a margin of ⅜ of a point over Libor for at least part of their jumbo loan operations.

Loans with such low margins are proving increasingly difficult to sell in a profit-conscious market and Belgium's well-publicised economic difficulties—unemployment is over 9 per cent and rising and real GNP has moved clearly into decline—provide the banking community with an excellent excuse for turning down such an operation.

In setting the terms for its next big loan, Belgium will thus have to consider whether to risk a flop by insisting on a ⅜ margin in the pricing or to accept an immediate loss of prestige by eliminating it altogether.

For the time being, Belgian bankers generally cling to the idea of a ⅜ margin, although they admit that it might have to be of shorter duration than on the last loan when the price was split between ⅜ for four years and ½ for the remaining five.

But there are also other ways around the problem. One is to raise more money at a margin over U.S. prime rate which, although more expensive in terms of total cost, still allows nominal margins to be held down.

Belgium's last big loan had such a prime-based tranche, led by Chase Manhattan. It raised $500m over seven years on the basis of a split ⅜ to ½ per cent margin and was reported at the time to have been much easier to place than the Libor-related tranche.

Another possibility for Belgium is to opt for fewer jumbos and more smaller, discreet club operations, which can also be sold on lower margins than credits requiring wide syndication. This is a tactic successfully employed by Ireland, another European country with serious economic problems and a very high borrowing requirement relative to its size.

The disadvantage of this approach, say some Belgian bankers, is the limitation on the total amounts that can be raised in this way. This school of thought still expects another Belgian jumbo to be launched this year, probably after the summer holiday period has passed.

For its part, the Government is playing its cards close to its chest. No one wants to preempt a decision on when and under what terms the next large Eurocredit will be launched.

But some indications of flexibility in the official approach emerged last week with news that the Belgian telecommunications authority is raising a small loan of $100m discreetly through the Japanese banking community.

Firestone to continue pruning operations

By Our Financial Staff

FIRESTONE TIRE AND RUBBER, the second largest U.S. tyre group, is to continue pruning its activities in efforts to produce an "acceptable" return on shareholder equity, Mr John J. Nevin, the chairman, said in Akron.

He said the company would continue its programme of concentrating resources on its most profitable products while eliminating operations which did not produce a satisfactory return on capital. Domestic production of radial ply truck tyres could be on casualty.

The company has already had talks with Bridgestone of Japan on the sale of its Nashville radial truck tyre plant.

The company has substantial radial truck tyre capacity in France and Italy and could import tyres to supply the domestic market, Mr Nevins said.

The company will continue making bias-ply truck tyres, although this is seen by Mr Nevins as "probably a declining market." Firestone does not expect to withdraw from any other major segment of the tyre business.

Firstone has been undergoing considerable rationalisation and closures of operations were a major factor in the loss for the year to October 1980. The after tax loss from the shutting of seven tyre plants and synthetic and industrial rubber plants was $49m, which took the overall net loss to $122m.

However, the company has bounced back this year to register a $47m profit for its first half against the $69m loss in 1979-80, which included the closure costs.

Mr Nevins said the half-year profit was "in no way related to what could be called a windfall." The company was confident of making "very substantial" earnings gains in the current economic climate, he said.

New York retailer to sell store chain

BY IAN HARGREAVES IN NEW YORK

ALEXANDER'S, the New York-based retailer, is to sell a chain of women's clothes shops it bought in July 1979.

Alexander's announced the proposed sale to Elder-Beerman, a retailer based in Dayton, Ohio, at the same time as disclosing a $3.05m loss for its third fiscal quarter. The sale of the Margot's La Mode chain will result in a loss of $7m, which will be taken into Alexander's fourth quarter results.

The divestiture of Margot's La Mode is a move which analysts have expected since Alexander's emerged last year from a bitter board-level split.

Margot's La Mode, which has 70 women's and children's stores, mainly in the southwest of the U.S., has never performed well for Alexander's, which saw it as an opportunity to diversify into an economically strong region of the country.

Mr. Robin Farkas, chairman of Alexander's, said Margot's had made substantial losses since it was acquired and was being sold "so that management could devote its full efforts to the operations of the Alexander's department store chain."

Alexander's base operation is in metropolitan New York, where the value of its property has encouraged speculation in its shares on the possibility that the company might eventually be liquidated. This speculation has been intensified by the acquisition of 11.5 per cent of Alexander's stock by Interstate Properties, a developer.

Having just opened a large new store in Manhattan's World Trade Centre, however, Alexander's appears to be trying to make a go of its core retailing business.

Its third quarter loss compared with a loss of $700,000 in the same quarter of last year. Sales for the quarter were $103.8m, compared with $99.7m. The loss in the most recent quarter included a $2.6m tax credit. For the nine months, the loss was $2.4m against profits of $3.07m in 1980. Sales were $411.2m compared with $395.9m.

Citicorp takes top rank

BY OUR BANKING CORRESPONDENT

AFTER A decade's pursuit, the New York-based Citicorp has finally overtaken its West coast rival, BankAmerica Corporation, to emerge as the biggest bank in the world.

According to figures published in the June edition of The Banker, Citicorp increased its assets less contra accounts (items which appear on both sides of the balance sheet) by 6.6 per cent to $109.6bn. As a result it overhauled BankAmerica Corporation ($106.8bn) and France's Credit Agricole ($106.6bn).

Other notable features of the latest annual listing of the Top 500 banks in the world are: substantial decline in the position of the German banks and the much slower growth in overall bank assets.

The U.S. still contributes the biggest number of banks to the list (118), followed by Japan (61). Just under a third of all the banks (146) come from the EEC.

THE WORLD'S TOP 10 BANKS

	*($bn)
Citicorp	109.6
Bank America	106.8
Credit Agricole	106.6
BNP	105.6
Credit Lyonnais	98.8
Soc. Generale	90.8
Barclays	88.5
Deutsche	88.2
NatWest	82.4
Dai-Ichi Kangyo	79.6

* Assets less contra accounts.
Source: The Banker, June 1981.

Petersville agrees to new offer from H. C. Sleigh

BY OUR SYDNEY CORRESPONDENT

PETERSVILLE Australia, the foods group, has agreed to a revised takeover offer from H. C. Sleigh, the energy, shipping and investment concern, which values it at A$160m (US$180m), or A$17.5m above the original bid.

Sleigh is now offering five of its shares plus A$4.80 cash for four Petersville ordinary shares and convertible notes. Alternatively, shareholders can accept A$2.75 cash for each unit held.

The share-and-cash alternative values Petersville shares at A$2.93, based on Sleigh's closing price last week of A$1.38, and this represents 13.4 times Petersville's projected earnings per share for the current year. The cash alternative of A$2.75 represents a multiple of 12.6.

The cash alternative is 40 cents above the first offer and follows market buying competition between a Sleigh "friend" and an unknown concern. The share price escalated to A$2.67 last week.

After the merger announcement, Sleigh's share price dipped to A$1.33, and at this level Petersville is valued at A$156m, or A$2.86 per share.

The fluctuation in Sleigh's share price may mean that shareholders find the cash alternative of A$2.75 more attractive, but this is being matched by the mystery buyer.

The counter buyer has acted through three Melbourne brokers, and seems sure to have accumulated some 10 per cent of Petersville. The presence of this buyer remains the only obstacle to the merger's success, following the Federal Government's approval of Sleigh's offer last week.

The Petersville merger offer provides Sleigh with a wider Australian earnings base, following the sale of Golden Fleece, the petrol distributor, to Caltex Australia.

Sleigh and Petersville said in a joint announcement that the merger would be to the mutual benefit of their respective shareholders and would provide H. C. Sleigh with a strengthened and more stable financial base from which to pursue investment opportunities in Australia and overseas in natural resource development.

Johannesburg stockbroker ceases trading

By Jim Jones in Johannesburg

SAUNDERS AND TAYLOR, a medium-sized Johannesburg stockbroking firm has posted itself defaulted on the Johannesburg Stock Exchange. Mr Peter George, the senior partner, says that the firm had ceased trading for the time being, but could reapply for membership of the exchange if it had sufficient assets to cover its commitments on the exchange clearing house.

The firm's problems arose, Mr George said, because several clients had run into difficulties in the past six months. However, if their debts to the firm are met it will be possible to reapply for membership. Major creditors of Saunders and Taylor are its banks.

Saunders and Taylor's open positions are cancelled, and other brokers which have dealt with the firm now have to close these positions through the market.

Improvement in market prompts four $ issues

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

FIXED RATE dollar bonds continued to move higher yesterday, prompting at least four new issues, including the relaunch of a $75m issue for the province of Quebec which had been withheld from the market late last week.

The issue, which would have come hard on the heels of a 15 per cent issue for the province of Nova Scotia, had originally been awarded a 15¼ per cent coupon, but with yesterday's improvement in market conditions the coupon has now been set at 14¾ per cent.

It is a tap issue and a further $25m of paper may be issued later. Maturity is in five years, extendable to 12 at the option of the bond holder. Lead manager S. G. Warburg was indicating an issue price of 99¼.

The new cut in prime rate by Chemical Bank, coupled with a further decline in the U.S. money supply and declines of around ¼ a point in Eurodeposit rates, helped the secondary market yesterday.

But dealers said the volume of buying interest was not as great as at the end of last week.

Prices closed around ¼ to ½ of a point higher, slightly below their best levels.

In other new issue news, the Nordic Investment Bank is raising $20m in a nine year 14¼ per cent semi-private deal priced at par by lead managers Citicorp. Also, Pacific Lighting Gas Supply is raising $50m over eight years with an indicated coupon of 15¼ and par issue price through Morgan Stanley.

Southern California Edison is raising $50m for seven years in an open price deal led by CSFB and hotly rumoured last night was a $40m 15¼ per cent bond due 1989 for Lafarge-Coppée led by CIF and Citicorp.

Improved conditions were also reported from Germany and Switzerland yesterday as declining U.S. interest rates helped the D-Mark and Swiss franc to strengthen on the exchange markets.

The SwFr 100m. 7¼ per cent issue for Nederlandse Gasunie is already reported to have been a major success even before final pricing today by lead manager Credit Suisse.

U.S. explorer seeks $25m in novel issue

By John Makinson

BLUE RIDGE Petroleum, a new offshore financing company, is planning to raise $25m through a novel issue of convertible notes with a maturity of five years and carrying a coupon of 4 per cent.

The note issue, which is guaranteed by Amsterdam-Roterdam Bank, should be launched in about a fortnight. It is intended to bridge the gap between a standard convertible bond issue and the placing of equity in joint ventures.

Lead manager of the financing is European Banking Company, which will receive an equity interest in the venture upon conversion. If all the notes areconverted, EBC' stake will be 9.52 per cent.

Amro's guarantee expires on conversion. The bank will initially release only $7.25m of the net proceeds, retaining the balance as security for its guarantee. This balance will be progressively released as Blue Ridge substitutes proven reserves for the collateral.

Blue Ridge will participate in a U.S. drilling programme managed by Dixie-Shamrock Oil and Gas, a Tennessce oil and gas exploration company.

Conversion will take place when the noteholders' share in the apraised value of the partnership with Dixie is equal to the principal amount of the notes, conversion will take place on July 15, 1986.

The shares which result from conversion are expected to be listed in Luxembourg, with dealings permitted in London under Stock Exchange Rule 163.

Ashland Oil trims spending

By Our Financial Staff

CAPITAL SPENDING plans for fiscal 1981 at Ashland Oil have been cut from previous forecasts of $432m to $350m according to Mr Orin E. Atkins chairman and chief executive.

The earlier prediction was made before the end of the company's fiscal 1981 first half ended, for which its refining and marketing segment realised an operating loss of $15.3m. The $350m allocation excludes acquisitions. The reduction was accomplished mainly by deferring planned improvements in the oil refining and marketing business.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday July 13.

Closing prices on June 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amoco 13¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 14¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 15½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNE 12¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 12 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 15¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Con. Illinois O/S 9¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dupont Canada 13½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eldorado 13¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 13 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 14¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Bs. D 12¾ 85 (N)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Bs. D. 15¾ 84 (J)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Exp. Credit 10¼ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Cr. O/S Fin. 14 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gaz de France 13¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 12 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Mtrs. O/S 11¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 14¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Fin. 13½ 86 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 16 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IBM Wld. Trade 12¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 13¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queb. Hy. 13 91 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Canada 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 13 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sth. California Ed. 14 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sven Handlsbk. 13¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 12¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Ex. Credit 13 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 15¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Corpn. 15½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toronto-Dom Bk. 14 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tribune O/S Fin 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo Int. 13¼ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 9¼ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria, Rep. of 8¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cii-Honeywell 8¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ESCOM 9¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Iberduero SA 9 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Finland 8¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am. Dv. Bk. 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air Lines 8¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. 7½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kobe, City of 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 8¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nuclebras 9¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 8¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 8¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela, R. of 8¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bhmn.-Tottorode 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elet de France 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F. G. H. Hldgs. 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franc Petroles 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dv. Bk. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newaq 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 6¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 5 6 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6 8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland Rep. of 6¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¼ 88 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 13½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 11½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. 11¼ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. 13½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M. Bk. Dnmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¾ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Bk. Nwy. 9½ 90 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. 10¼ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. Mees & H. 10 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV 10 87 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Nedrlndn. 10 88 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Middb. 10½ 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pierson 10¼ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Air France 14¼ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. America 14¾ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charb'nages 13¼ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 14¾ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute 14½ 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. 14¾ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. E. Cr. 14½ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Max. Ste. 14 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Acona 14 85 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial 14¼ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 13½ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 13½ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 13½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Ex. Cred. 13½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Co. 12¼ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 14½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 14½ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rothschild 14½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 14 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cr. 13½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banobras 8½ 90 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 8¼ 91 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sonatrach 8½ 90 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo 9½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euratom 9½ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 10½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¼ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Volvo 9½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFG [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Christiania Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C. Itoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Co-operative Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den Norske Credit 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genfinance [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Giro und Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mfrs. Hanov. O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Scandinavian [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chart. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Hndlsbk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Bow Valley Inv. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon 6¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digicon Fin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kobukiya Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Mt. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Land Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tranoco Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Saab-Scania makes slow start to current year

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SAAB-SCANIA, the Swedish automotive and aerospace group, reports pre-tax earnings SKr 14m lower at SKr 315m ($63m) for the first four months of this year. However, Mr Sten Gustafsson, the managing director, maintains his forecast that Saab can repeat for 1981 last year's pre-tax return of SKr 970m.

Group sales climbed 11 per cent to SKr 4.9bn in the four months. A 25 per cent increase was achieved by Saab cars at SKr 1.47bn and aircraft sales jumped by 42 per cent to SKr 371m.

Sales of trucks, which are the principal source of group profits, grew by only 4 per cent to SKr 2.16bn. Earnings in this division have been affected by delays in deliveries after the introduction of Scania's new models, but these hitches are "now on the way to being eliminated."

Order intake in the first four months amounted to a little more than SKr 5bn, ahead by SKr 1bn compared with the corresponding period last year. The increase is attributed to stronger demand for Scania trucks and Saab cars. At the end of April the group orders stood at just over SKr 9bn.

Group operating profits of SKr 374m showed a slight advance, but net financial charges grew by SKr 17m to SKr 59m. Total debt increased by SKr 20m in the period, at the end of which the group held liquid assets of SKr 776m.

Investments in plant and machinery in the period rose to SKr 230m from SKr 187m. Of these SKr 200m went into the Scania truck division and Saab cars.

Saab-Scania recently submitted an offer to build a new multi-role combat aircraft for use by the Swedish Air Force in the 1990s. The contract is estimated to be worth about SKr 20bn, of which Saab-Scania's share would be around half. Competing offers have been submitted by U.S. manufacturers.

At the Paris air show, the company announced new orders for the SF 340 commuter aircraft which it is developing together with Fairchild Industries of the U.S. More then 100 orders and options have been received.

Karstadt lifts stores profits

BY KEVIN DONE IN FRANKFURT

KARSTADT, West Germany's biggest retailing group, boosted department stores turnover by 10.9 per cent in the first five months of 1981 to DM 4bn, chiefly as a result of its 100-year jubilee sales campaign in May.

The company also disclosed results for last year. Its department stores' profits improved substantially after the completion of a costly and far-reaching expansion and modernisation programme. After-tax profits of the parent company jumped by 79 per cent to DM 77.6m.

Karstadt group's results have been heavily depressed, however, by the big losses run up by Neckermann, its troubled travel and mail order subsidiary. As a result Karstadt group after-tax profits slumped to DM 7.8m in 1980 from DM 17.2m in the previous year. Total group turnover increased slightly to DM 12.6bn

Apart from its problems with Neckermann, Karstadt is also still losing money on its department store joint venture in Lyon, France, which it developed with the Swiss group, Grands Magazins Jelmoli.

With the completion of the second financial rescue package for Neckermann, Karstadt now owns 91.2 per cent of the company. In the first step in 1976-77 Karstadt took over 51.2 per cent of Neckermann and the rest of the company has been acquired from small shareholders selling out before the recent capital write-down. The takeover of 91.2 per cent cost a total of DM 346.2m, Karstadt said yesterday.

Having reached a total sales floor space by the end of 1980 of 1.24m sq metres after a dramatic expansion in the second half of the 1980s, Karstadt is now aiming at consolidation and little further sales floor space growth is planned in 1981.

The company is concentrating on extending its interests in small specialist stores, which last year brought in 9.7 per cent of total turnover, or DM 839m.

The period of consolidation ahead is clear from the investment plans. Parent company spending this year will be only DM 150m compared with DM 191m last year and DM 479m in the peak year of 1977.

Midland Bank in Austrian talks

By William Hall, Banking Correspondent

MIDLAND BANK confirmed yesterday that its Austrian affiliate, Credex Export-Credit-bank, has been having talks with the Austrian Ministry of Finance regarding its loans to the OEKG engineering group which collapsed earlier this year.

The Austrian authorities have been having discussions with Credex and Austria's third largest bank, Osterreichische Landerbank, in order to assist the two banks with their loans of Sch 1.7bn ($100m) outstanding to OEKG.

Midland Bank's involvement with Credex dates back to 1975 when it bought 40 per cent of London American Finance Company (Lafco), an international financial services group, from Lloyds Bank International.

Lafco had established Credex in Vienna in 1972 as an international trade bank, which specialises in financing Austrian exports, accounts receivable and buyers credits. Credex has sister companies in Hamburg and Lausanne.

Midland Bank now owns 75 per cent of London American, which in turn owns 100 per cent of the Viennese-based bank. The remaining 25 per cent of London American is owned by Finance for Industry.

Midland's aim has been to develop London American into a group providing a comprehensive range of financial, commercial and marketing services related to international trade.

However, the group has never been particularly successful. In the year to September 1980, London American made pre-tax profits of £1.45m ($2.8m) on turnover of £342.8m and capital employed of £18m.

Norwegian bid for Ohio Ferro-Alloys

By Our Stockholm Correspondent

FOUR SMALL Norwegian ferro-alloy manufacturers have made a bid of $22 a share, or $44m, for Ohio Ferro-Alloys Corporation, which controls about 20 per cent of the U.S. ferro-silicon market. The Ohio board recommends the offer.

This latest Norwegian move into the North American ferro-alloy business follows the agreement which Elkem, Norway's largest ferro-alloy manufacturer, and its partner, Jebsen, concluded in March to take over Union Carbide's plants in the U.S., Canada and Norway.

The four companies, each of which will take a 25 per cent shareholding in Ohio, are Bjolvefossen, Hafslund, Ila og Lilleby and Tinfos Jernverk. They export all their present production of ferro-alloys and own a joint marketing company, Fesil.

Mr Emil Eriksrud, managing director of Hafslund, said yesterday that the completion of the agreement in principle with the Ohio board depended on acceptance by shareholders and approval from the authorities on both sides of the Atlantic. He hoped to complete the deal within four months.

The purchase would give the group a new sales outlet for its Norwegian output, Mr Eriksrud said. Norwegian ferro-alloy manufacturers had to expand abroad because opportunities within Norway would be restricted in future by the country's inability to increase hydro-electric power output, he explained.

Financing details had not yet been worked out but Mr Eriksrud expected the purchase price would be covered partly by cash transfer from Norway and partly by a loan raised in the U.S.

Ohio Ferro-Alloys has annual sales of about $110m. Last year it made a small profit. The company owns three smelters, including a modern plant in Alabama producing 50,000 tons of silicon metal a year. It also has the capacity to produce 110,000 tons of ferro-silicon and 10,000 tons of magnesium ferro-silicon a year.

Ohio's silicon metal production is used in aluminium alloys and as an additive in the chemicals industry. Ohio is estimated to have between 30 an 35 per cent of the U.S. market for this metal.

Margins squeeze hits first quarter at Veba

BY OUR FRANKFURT STAFF

PRE-TAX profits of the Veba group, West Germany's largest industrial concern, fell by 18.6 per cent in the first quarter of 1981 as margins came under heavy pressure, particularly in the oil refining and marketing operations.

In the first three months pre-tax profits totalled DM 318m compared with DM 391m in the first quarter of 1980. Group turnover grew by 15.7 per cent to DM 11.8bn, chiefly as a result of higher energy costs being passed on, where possible, in increased prices to consumers.

At the same time Veba's trading activities expanded strongly, by 33 per cent to DM 4.1bn as a result of higher volume sales in the international fuel market.

The steep decline in the demand for oil products in West Germany so far this year is clearly reflected in Veba's refinery operations, which worked at 61 per cent of capacity in the first quarter compared with 79 per cent in the first three months of 1980, pushing the processing activities deep into losses.

In the first three months Veba processed 2.9m tonnes of crude oil, a drop of 16.9 per cent from 3.6m tonnes a year earlier.

The overall market for oil products in West Germany has suffered a fall of 18.2 per cent in the four main products, petrol, diesel, heating oil and fuel oil, in the first four months this year.

DnC shows improvement

BY FAY GJESTER IN OSLO

NORWAY'S LARGEST commercial bank, Den norske Creditbank (DnC), says profits improved in the first four months of this year after a difficult period at the end of 1980, caused by the Government's credit policies.

Operating profits — before write-offs reached NKr 109.4m ($18.4m) in January-April 1981, or 1.32 per cent of average capital employed. This compares with NKr 87.5m and 1.36 per cent in the same period of 1980, which figures are adjusted to include earnings of the recently acquired regional bank, Opplandsbanken.

DnC expects "better" results for 1981 as a whole, though it notes that unstable world economic conditions make forecasting difficult.

Deposits rose by more than 20 per cent in the 12 months ended April, with high interest accounts showing the most marked growth. Net interest earnings, including commission on credit, and dividends received, totalled NKr 263.8m in January-April, corresponding to 3.18 per cent of average capital employed. This compares with NKr 229.8m and 3.58 per cent.

Lending by the bank in the sector regulated by the Government's credit guidelines increased by NKr 1.4bn in the 12 months to end April. Loans by the bank outside this sector — that is mainly international zones — showed a NKr 1.7bn increase.

Weak four months for KemaNobel

By Westerly Christner in Stockholm

KEMANOBEL, the Swedish chemicals group, reports "very weak" net earnings of SKr 30m ($6m) for the first four months of this year. No comparative figure is provided. Group sales slid by 4 per cent to SKr 1.19bn.

Mr Ove Sundberg, the managing director, said in April that group profits this year could be improved from 1980's SKr 164m pre-tax. This would be achieved, he said, despite continued depressed markets for the PVC and silicon operations, for which both demand and prices began dropping last year.

However, it was said yesterday that "the drastic worsening of prices and volume on the petro-chemicals market which began during spring 1980 will strongly affect this year's result.

Swedish paper group repays loan

BY OUR STOCKHOLM STAFF

NORRLANDS SKOGSAGARES Cellulosa (NCB), the troubled pulp and paper concern in which the Swedish state has taken a 74 per cent holding, is to pay back in advance a $46.5m loan from a foreign banking consortium.

The banks, which included Credit Lyonnais, Lloyds Bank International, Norddeutsche Landsbank and Toronto Dominion, have been at odds with NCB and the Swedish Government, which has refused a state guarantee for the loan.

NCB said the loan would be repaid partly from the SKr 300m ($60m) in new share capital, which the Government is putting in and partly from a new loan which would be raised with PKbanken, the Swedish investment bank and other domestic banks.

The company would make an exchange loss on the transaction but it would be able to proceed much faster with a reorganisation without having to consult the foreign banks.

NCB is now expected to make a small loss again this year instead of the budgeted SKr 20m profit.

Paribas and UIC buy New York building

By Georgie Lee in Singapore

UNITED INDUSTRIAL CORPORATION (UIC), a Singapore-based chemicals and property group, has together with Banque de Paris et des Pays-Bas (Paribas), of France, acquired a 21-storey building in Manhattan, New York, for US$45.75m in cash.

The building which is located in the financial district, at 100 Church Street, will be owned equally by UIC and Paribas. The building, built in 1958, sits on a 53,447 sq ft site and has a gross area of 1.04m sq ft. The net leasable area is 922,796 sq ft.

UIC disclosed that the projected net income before tax from the property is US$1.19m for 1981-82, but would be $6.35m in 1984-85, and $6.8m in 1985-86.

The group's share of the purchase consideration, it said, would be financed from its own resources and from banking facilities.

PKbanken moves ahead

By Our Stockholm Staff

SWEDEN'S state-owned PKbanken reports a 36 per cent rise in bank operating earnings to SKr 187m ($37.4m) for the first four months of 1981.

For the whole of 1981 the management expects earnings to grow by between 30 per cent and 40 per cent from last year's SKr 545m. "If the Riksbank (central bank) does not drastically change its monetary policy." However, the projected improvement will not be enough to offset the impact of inflation on the bank's capital.

The rise in four-month earnings was in line with the results for Sweden's two other leading commercial banks, with Skandinaviska Enskilda Banken showing a 49 per cent increase and Svenska Handelsbanken returning a 36.7 per cent rise.

Zanussi seeks Telefunken link

BY JAMES BUXTON IN ROME

ZANUSSI, Italy's biggest domestic appliance maker, is negotiating an agreement on the production and marketing of television sets with Telefunken Italy, a wholly owned subsidiary of the West German concern, AEG-Telefunken.

The move reflects the need for rationalisation in the Italian television market, badly hit by both recession and Japanese competition.

Last year the Italian domestic market declined by 8 per cent and market turnover for the first few months of this year is thought to have fallen by 25 to 30 per cent. Imports, which last year took 65 per cent of the market, may this year take 75 per cent.

Zanussi has in effect given up waiting for the Italian Government to produce a plan for the restructuring of the troubled home electronic products industry. A proposed joint holding company for the brown goods interests of three concerns, Emerson, Voxson and Indesit, is being held up by various difficulties.

The object of the agreement between Zanussi and Telefunken Italy is to rationalise the TV set operations of the two companies by co-operation in the production of components. The agreement may also extend to cover marketing.

Until 1978 AEG-Telefunken owned 20 per cent of Zanussi, but when troubles hit the West German copany, Zanussi bought back this holding. The possibility of a new merger, which might benefit Zanussi, whose more important white goods business is also in difficulties, is ruled out at this stage.

COMPANY NOTICES

RENOWN INCORPORATED

NOTICE CONCERNING FREE DISTRIBUTION OF SHARES

You are hereby notified that at the meeting of the Board of Directors held on June 8th 1981 the resolutions stated below concerning the free distribution of shares were adopted.

PARTICULARS

1) A portion of the capital excess in par value shall be transferred into the paid-in capital as of July 1st 1981 (Wednesday). The amount transferred shall be equivalent to 50 multiplied by the number of shares newly issued as stated in 2 (1) below.

2) In connection with the transfer into the paid-in capital in the preceding paragraph, the company shall issue shares (to be distributed freely) as of the date thereof under the following conditions:

1) Number of shares to be newly issued: Par value shares of common stock in registered form in the number equivalent to the total number of outstanding shares as of June 30th 1981, multiplied by 0.1 provided, however, that any fractional shares less than one resulting from such calculation shall be disregarded.

2) Issue price: 50 Per Share, provided, however, that no deposit for subscription shall be collected.

3) Method of Allocation: The allocation for the new shares shall be made to the Shareholders whose names appear in the Shareholders' Register as at 3.00 p.m. on June 30th 1981 (Tuesday) at the rate of 0.1 New Share for each outstanding share. Provided, however, that any fractional share less than one resulting from such allocation shall be sold in the process, and the proceeds thereof shall be distributed to shareholders holding such fractional shares in proportion to the number of shares held thereby.

4) With respect to New Shares, dividend accrual period shall start on January 1st 1981.

5) All other necessary matters concerning this issue of new shares will be determined at a meeting of The Board of Directors to be held hereafter.

REFERENCES

Paid-in capital as of June 1st 1981: 6,393,266,300. Further, New Shares may be issued due to conversion of Convertible Bonds into shares of Common Stock prior to June 30th (Date of Allocation).

ROBERT FLEMING & CO. LIMITED
8, Crosby Square,
London EC3A 6AN.

London
June 16th 1981.

TRAFALGAR FUND
société anonyme
Registered Office:
LUXEMBOURG, 14, rue Aldringen
Commercial Register
Section B No. B.198

DIVIDEND ANNOUNCEMENT

TRAFALGAR FUND, S.A. will pay a SUSA 5 dividend per share on or after June 19th, 1981 to holders on record on June 9th, 1981.

Shares will be traded ex-dividend after June 9th, 1981.

The dividend is payable to holders of bearer shares against presentation of coupon number 6 at:
—Banque Générale du Luxembourg, S.A.,
27, avenue Monterey,
LUXEMBOURG.
—J. Henry Schroder Wagg & Co. Limited,
120, Cheapside,
LONDON EC2V 6DS.
The Board of Directors.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

ICH gives strong note to restart of HK issues

By Adrian Boven in Hong Kong

THE SUCCESSFUL flotation of International City Holdings, the property development and investment company, which opened on the market yesterday at HK$1.70, compared with the HK$1 offered price, is seen in Hong Kong as a special case.

With share prices on the stock market now at record heights and the property market remaining strong, analysts are confident that property companies going public in the near future should be given a warm welcome.

They say that ICH's HK$450m issue was 11 times over-subscribed, principally because it was backed by Mr Li Ka Shing, the chairman of Cheung Kong Holdings, which is the glamour property stock of the Hong Kong market. ICH's prospectus gave a net asset value of HK$1.13 a share and projected after-tax profits for 1982 of HK$500m (U.S.$90m), but both figures were generally regarded as being on the low side and characteristic of Mr Li's conservatism.

Mr Li's reputation for giving small investors a good bargain, and the fact that ICH is also backed by Hongkong Electric, Wheelock Marden and Hongkong Land, and came to the market when the Hang Seng index was rising quickly, assured over-subscription.

ICH was the first new issue after the four stock exchanges lifted a two-months moratorium on new share issues in May. It was regarded by the exchanges as a test case because investors had turned notably sour in March on a HK$360m new share issue by Sino Land which was only 46.5 per cent subscribed and a HK$450m rights issue by Paliburg Investments which was only 20 per cent taken up and brought underwriters losses of over HK$100m.

The exchanges have now set up an unofficial queue system for new issues and next in line is the flotation of one of Hong Kong's largest private property developers, Hendersons. Developments estimated to be worth more than HK$1bn.

Analysts say Hendersons, as well as others planning to come out, will be closely scrutinised by investors for their backers, the quality of their holdings and their profit forecasts. None of them, they say, is likely to do as well as ICH on these points.

Takeover bid for Chow Sang Sang

By Our Hong Kong Correspondent

CHOW SANG SANG Holdings, a publicly quoted jewellery and precious metals retailer in Hong Kong, has received a takeover offer from an undisclosed company in Hong Kong and has advised shareholders to show caution in their dealings until a further announcement is made.

The company's stock was suspended from trading on Friday after it climbed by HK$1.60 to HK$7.75 as rumours of the offer reached the market.

About 80 per cent of the 40m issued shares are held by a family of the chairman, Mr Chow Kwen-Ling.

Chow Sang Sang reported after-tax profits for 1980 of HK$33.64m (U.S.$6m) up 89 per cent from the HK$17.82m of 1979.

Approval for major bank mergers in Australia

BY COLIN CHAPMAN IN SYDNEY

MR JOHN HOWARD, the Australian Treasurer, yesterday formally gave the go ahead to the two major bank mergers—between the Bank of New South Wales and the Commercial Bank of Australia, and between the National Bank and the Commercial Banking Company of Sydney.

Mr. Howard said the Government accepted that the mergers, bringing the number of Australian trading banks from six to four, would reduce competition, but argued that it would still have been necessary for some rationalisation of bank services had the changes not taken place.

Further mergers

He indicated that it was unlikely that any further mergers would be approved in advance of the report of the Campbell Committee of Inquiry into the Australian financial system, due to be delivered to the Government in August, and even then "readily accepted that a further concentration of banking could be the cause of concern."

The agreed mergers make the Wales-CBA the largest bank in Australia followed by the ANZ Bank, and then the National-CBC Bank.

Now that approval has been forthcoming the merged banks have to convince customers, employers, and shareholders that bigger is better. The Wales-CBA has yet to find a new name. One title that might habe been in prospect, the Bank of Australia, has been rejected because of Reserve Bank opposition and because of the arrival of the Australia Bank, run by Mr Mark Johnson, a former Hill Samuel executive.

It is expected to be at least a year before the promotion machines of the two newly merged operations are ready to go public, but when they do, there will be the biggest advertising and public relations battle ever seen between the banks. Already Australia's growing financial services market is full of curious and perplexing symbolism: Initials and elephants; coats of arms; kangaroos; dragons; and monoliths. Even before the mergers the institutions spent A$33.5m in promotion, with the trading banks accounting for more than A$10m in media advertisign.

The National-CBC is better placed for the relaunch, with a lot less to lose from a total modernisation of what has been a lower profile and staid personality. One name under consideration for the new bank is National Commercial Bank of Australia. Mr. Frank Shew, the advertising manager admits that it is time for a change from the company's present heraldic coat of arms "We'll be starting from scratch and we'll be looking for something that will reflect the antecedents," he said.

The "W" motif of the Wales is among the top three corporate symbols in Australia, coming in after Shell and the International Wool Corporation in public recognition. The bank's market research indicates that the "W" is identified with the bank by 80 per cent of the population. "I think to lose the "W" would be a very dangerous thing to do," says Mr. Peter Huveneers, corporate design consultant.

New identity

But the merged bank probably will have to lose the symbol, because of the agreement with the CBA that there would have to be a new name and identity to offset the CBA's reluctance to see itself swallowed up by the Wales.

The problems of image should not be under-estimated: Shareholders of both the Wales and the National have asked why their companies should pay roughly 2.5 times the market worth of the merger partners. There has also been strong anti-merger lobbying by the 41,000 employees involved who have to be shown that the new bank will be better. The customers, who have tended to change banks more frequently than in any other industrialised country, have also to be convinced.

Further growth seen by Sanyo Electric

By John Wicks in Zurich

CONSOLIDATED NET sales of Sanyo Electric Company, of Osaka, should increase by some 11 per cent in the financial year ending November 30 to a record $4.85bn, Mr Yoshifumi Miyamoto, the executive managing director, said in Zurich yesterday. He is visiting Switzerland in connection with the introduction of Sanyo stock on the bourses of Zurich, Basle and Geneva.

After a 41.6 per cent rise in consolidated net earnings in 1979-80 to $144m, Mr Miyamoto said the total was likely to increase by a further 11 per cent in the current year to some $160m.

Japanese analysts estimate that sales will grow a further 13 per cent and net profits by 14 per cent in 1981-82.

By fiscal 1984, total group sales including unconsolidated subsidiaries and affiliates are expected by Sanyo to reach some Y2,000bn ($8.85bn), as compared with Y1,118bn in 1979-80.

Mr Miyamoto said the company would try to retain a favourable geographical balance of production and sales within the group. The aim was that domestic sales of Japanese-made products, overseas sales of Japanese-made products and overseas sales of products made overseas should each account for one-third of overall business.

Second-half downturn at Hill Samuel South Africa

BY JIM JONES IN JOHANNESBURG

HILL SAMUEL (South Africa), the 71.5 per cent-owned subsidiary of the Hill Samuel group of the UK, increased pre-tax income to R4.06m ($4.66m) in the year to March 31 1981 from R3.43m in the previous year.

However, the company says that tighter money market conditions have resulted in an unfavourable trend for merchant banking margins. This could have a significant impact on profits if interest rates continue to rise sharply and the company is unable to replace the shortfall with earnings from other banking activities. The poorer trend was apparent by the second half of 1980-81 when pre-tax income was only R1.9m compared with R2.16m in the first half.

Hill Samuel (SA) increased its capital base in the year with an issue of 875,400 ordinary shares at 320 cents each and its merchant banking arm raised R4m with an issue of 9.25 per cent preference shares redeemable from 1986 to 1990.

As promised, the dividend total has been maintained at 27.5 cents on capital increased by a rights issue. Earnings per share rose marginally to 40.8 cents from 40.7 cents.

CURRENCIES, MONEY and GOLD

Dollar falls

The dollar fell sharply in currency markets yesterday as U.S. interest rates eased. Following on Friday's fall in U.S. money supply figures, Chemical Bank yesterday became the first major bank to cut its prime rate to 19 per cent from 20 per cent. Euro-dollar rates were well down from Friday's levels.

Sterling benefited from the dollar's decline and rose above the $2 level for the first time since June 3. It was steady against European currencies.

European currencies were sharply firmer against the dollar but steady in sterling terms. Within the European Monetary System the French franc was considerably weaker after a Socialist swing in Sunday's general election. It was still placed above the Irish punt and Belgian franc however, while the D-mark continued as the strongest currency.

DOLLAR — trade weighted index (Bank of England) fell from 109.0 to 107.7. The dollar lost ground to most major currencies. Against the D-mark it finished at DM 2.3420 compared with DM 2.3945 on Friday and SwFr 2.0425 from SwFr 2.0960. In terms of the yen it was lower at Y219.80 against Y224.25 and fell to FFr 5.6025 from FFr 5.7125 against the French franc.

STERLING — trade weighted index (Bank of England) rose to 95.8 from 95.1, having stood at 95.4 at noon and 95.3 in the morning. Sterling opened at $1.9775 against the dollar and dipped briefly to $1.9725 on early dollar demand before recovering quickly to stand around $1.9825 at noon. During the afternoon New York entered the market as net sellers of dollars and sterling rose to a best level of $2.0040 before closing at $2.0015-2.0025, a rise of 4.3c from Friday.

The pound showed little overall change against European currencies. It eased slightly against the D-mark to DM 4.69 from DM 4.6925 and SwFr 4.09 from SwFr 4.1075 but rose against the French franc to FFr 11.2125 from FFr 11.1850.

D-MARK—Strongest member of the European Monetary System but very weak against the dollar, affected principally by the continuing high level of U.S. interest rates. The D-mark has also been depressed by current tension in Poland—There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed lower at DM 2.3656 compared with DM 2.3972 on Friday. As in other centres the dollar's softer look reflected lower Euro-dollar rates and a decline in U.S. money supply figures. Trading during the morning was rather thin ahead of a holiday on Wednesday and Thursday in Germany. Sterling rose to DM 4.6940 from DM 4.6760 and the Swiss franc was higher at DM 1.1487 compared with DM 1.1394. On the other hand the French franc fell to DM 41.83 per FFr 100 from DM 42.01.

FRENCH FRANC — Steadier within the EMS having been very weak at one time soon after the Socialist victory in the Presidential election. It continues to fall against the dollar however, recently touching a 21 year low —The French franc lost ground in Paris yesterday as preliminary indications pointed towards a decisive Socialist win in the general election. The fall was not as great as had been expected. The D-mark rose to FFr 2.3929 from FFr 2.3764 but was below its upper level of FFr 2.4093, contrary to expectations. Elsewhere the Belgian franc was higher at FFr 14.625 per BFr 100 from FFr 14.576 and the Dutch guilder rose to FFr 2.1484 from FFr 2.1396. The dollar weakened on lower interest rates to FFr 5.6520 from FFr 5.7070 while sterling rose to FFr 11.21 from FFr 11.1420.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3431	+1.33	+1.33	±1.5361
Danish Krone	7.91917	7.94455	+0.32	+0.32	±1.6413
German D-Mark	2.54502	2.52786	−0.67	−0.67	±1.1386
French Franc	5.99526	6.04665	+0.86	+0.86	±1.3638
Dutch Guilder	2.81318	2.81503	+0.07	+0.07	±1.5159
Irish Punt	0.685145	0.691812	+0.97	+0.97	±1.6688
Italian Lira	1262.92	1261.28	−0.13	−0.13	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9725-2.0040	2.0015-2.0025	1.15-1.25c dis	−7.19	2.40-2.50dis	−4.89
Canada	2.3725-2.4075	2.4045-2.4055	1.50-1.60c dis	−7.73	3.95-4.10dis	−6.69
Nethlnd.	5.20-5.28	5.23-5.24	½c pm-½ dis	—	1¼-¾ pm	0.67
Belgium	76.25-77.10	76.80-76.90	20-30c dis	−3.90	65-75 dis	−3.64
Denmark	14.69-14.80½	14.75-14.77	7¾-8ore dis	−6.20	12¼-14¾ dis	−3.73
Ireland	1.2795-1.2805	1.2835-1.2850	0.33-0.45p dis	−3.64	0.89-1.11dis	−3.11
W. Ger.	4.66¾-4.71¼	4.69¼-4.69½	¼pf pm-¾ dis	−0.32	½ pm-¾ dis	−0.21
Portugal	124.50-125.80	125.50-125.70	70-140c dis	−10.03	145-315 dis	−7.32
Spain	186.25-188.60	188.40-188.60	135-165c dis	−9.55	355-410 dis	−8.12
Italy	2,326-2,355	2,345½-2,347½	27-28lire dis	−14.32	73-78 dis	−12.70
Norway	11.60-11.70	11.68¾-11.69¾	1-2¾ore dis	−1.35	¼-2 dis	−0.38
France	11.16-11.22	11.20¼-11.21¼	12½-13½c dis	−13.91	28-38 dis	−9.63
Sweden	9.98-10.05	10.02¼-10.03¼	2¼-4¼ore dis	−3.68	5-7 dis	−2.39
Japan	436-442	439½-440½	1.90-1.60y pm	4.77	5.75-5.35 pm	5.05
Austria	33.05-33.45	33.28-33.43	3gro pm-2 dis	0.18	8 pm-4 dis	0.12
Switz.	4.07-4.10½	4.08¼-4.09¼	1½-1c pm	1.83	2¾-1¾ pm	2.20

Belgian rate is for convertible francs. Financial franc 78.20-78.30. Six-month forward dollar 3.30-3.40c dis. 12-month 4.35-4.55c dis.

THE DOLLAR SPOT AND FORWARD

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9725-2.0040	2.0015-2.0025	1.15-1.25c dis	−7.19	2.40-2.50dis	−4.89
Ireland†	1.5610-1.5585	1.5600-1.5580	0.40-0.60c dis	−3.49	0.55-0.75dis	−1.58
Canada	1.2016-1.2033	1.2020-1.2023	0.10-0.14c dis	−1.33	0.49-0.56dis	−1.71
Nethlnd.	2.6140-2.6380	2.6140-2.6180	1.65-1.55c pm	7.30	3.57-3.47 pm	5.35
Belgium	38.39-38.72	38.39-38.41	13-15c dis	3.65	18-14 pm	1.66
Denmark	7.4100-7.4480	7.4100-7.4125	1-¾ore pm	0.81	1.90-1.40 pm	0.89
W. Ger.	2.3400-2.3725	2.3415-2.3425	0.96-0.90pf pm	4.76	2.68-2.62 pm	4.53
Portugal	62.30-63.40	62.30-62.50	par-30c dis	−2.87	par-80 dis	−2.56
Spain	94.15-94.55	94.20-94.25	10-20c dis	−1.91	50-70 dis	−2.55
Italy	1,172-1,180½	1,172-1,173	7½-8½lire dis	−8.95	24-27 dis	−8.65
Norway	5.8545-5.8830	5.8550-5.8600	2¼-3¼ore pm	4.15	5.60-6.10 pm	4.14
France	5.6000-5.6600	5.6000-5.6050	3-4c dis	−7.45	7½-8½ dis	−5.67
Sweden	5.0100-5.0610	5.0300-5.0315	1.35-1.15ore pm	2.98	2.25-2.05 pm	1.71
Japan	218.50-222.50	219.75-219.85	2.30-2.05y pm	11.80	5.40-5.25 pm	9.69
Austria	16.48-16.79	16.68-16.69	11.20-9.70gro pm	7.51	22.25-18.75pm	4.91
Switz.	2.0400-2.0695	2.0420-2.0430	1.72-1.62c pm	9.81	3.85-3.75 pm	7.44

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 15	Bank of England Index	Morgan Guaranty Changes%
Sterling	95.8	−28.8
U.S. dollar	107.7	+1.4
Canadian dollar	87.4	−17.6
Austrian schilling	111.6	+20.7
Belgian franc	105.7	+8.5
Danish kroner	85.0	−12.1
Deutsche mark	117.0	+38.7
Swiss franc	136.1	+82.1
Guilder	108.4	+14.1
French franc	82.50	−11.8
Lira	57.5	−55.7
Yen	144.9	+39.4

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.590849	0.540779
U.S. $	14	1.15125	1.05560
Canadian $	19.07	1.38695	1.27211
Austria Sch.	6¾	19.5015	17.8819
Belgian F.	13	45.0699	41.3321
Danish K.	11	8.58926	7.94558
D mark	7½	2.76985	2.53029
Guilder	9	3.07162	2.81423
French Fr.	9½	6.57055	6.02590
Lira	19	1375.49	1261.16
Yen	6¼	258.625	237.352
Norwgn. Kr.	9	6.65645	6.27344
Spanish Pta.	8	109.890	100.831
Swedish Kr.	12	5.87441	5.38008
Swiss Fr.	3	2.42379	2.21887
Greek Dr'ch.	20½	—	61.8007

OTHER CURRENCIES

June 12	£	$		£ Note Rates
Argentina Peso	8655-8665	4352-4362	Austria	32.85-33.20
Australia Dollar	1.7475-1.7514	0.8745-0.8750	Belgium	77.80-78.00
Brazil Cruzeiro	174.10-175.10	87.70-88.14	Denmark	14.60-14.80
Finland Markka	8.853-8.863	4.4360-4.4380	France	11.14-11.24
Greek Drachma	115.188-116.818	57.58-57.58	Germany	4.66½-4.70½
Hong Kong Dollar	10.91-10.95	5.4650-5.4700	Italy	2280-2325
Iran Rial	156.00*	79.80*	Japan	438-444
Kuwait Dinar(KD)	0.546-0.552	0.2760-0.2801	Netherlands	5.19¼-5.22¼
Luxembourg Fr.	76.80-76.90	38.39-38.41	Norway	11.56-11.66
Malaysia Dollar	4.6650-4.6750	2.3350-2.3390	Portugal	119-128
New Zealand Dlr	2.3125-2.3175	1.1565-1.1575	Spain	179½-191
Saudi Arab. Riyal	6.86-6.74	3.3995-3.4025	Sweden	9.90-10.00
Singapore Dollar	4.2525-4.2625	2.1295-2.1325	Switzerland	4.07-4.11
Sth African Rand	1.7255-1.7245	0.8610-0.8615	United States	1.97½-1.98½
U.A.E. Dirham	7.22-7.28	3.6720-3.6740	Yugoslavia	73-88

Rate given for Argentina is free rate. * Selling rate.

EXCHANGE CROSS RATES

June 15	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.002	4.690	440.0	11.213	4.090	5.235	2347.	2.405	76.85
U.S. Dollar	0.500	1.	2.343	219.8	5.601	2.043	2.615	1172.	1.201	38.39
Deutschemark	0.213	0.427	1.	93.82	2.391	0.872	1.116	500.3	0.513	16.39
Japanese Yen 1,000	2.273	4.550	10.66	1000.	25.48	9.295	11.90	5335.	5.466	174.7
French Franc 10	0.892	1.786	4.183	392.4	10.	3.648	4.669	2093.	2.145	68.54
Swiss Franc	0.244	0.489	1.147	107.6	2.741	1.	1.280	573.7	0.588	18.79
Dutch Guilder	0.191	0.383	0.896	84.05	2.142	0.781	1.	448.2	0.459	14.68
Italian Lira 1,000	0.426	0.853	1.998	187.5	4.778	1.743	2.231	1000.	1.025	32.75
Canadian Dollar	0.416	0.832	1.950	183.0	4.662	1.701	2.177	975.7	1.	31.95
Belgian Franc 100	1.301	2.605	6.103	572.5	14.59	5.322	6.812	3053.	3.129	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 15)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 1/4	offer 17 3/8	bid 16 7/16	offer 16 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	10¼-10¾	18-18¼	17¼-18½	11½-11¾	5¼-5¾	11¼-11½	20-22	21½-27½	12-13	6¼-6¾
7 days' notice	10¾-11¼	18-18½	17½-18½	11¾-12	5¾-6	11½-11¾	22-24	24-28	13-14	6¾-7¼
Month	11¾-12	18⅛-18⅝	17½-17⅞	11⅞-12⅛	8¾-9	11¾-12⅛	23-24	25-27	15¼-16¼	7⅛-7⅜
Three months	12⅜-12½	17⅛-17⅜	16⅞-19⅛	11⅞-12⅛	9¼-9¾	12⅛-12⅜	21½-23½	24½-25½	15¼-16¼	7¼-7⅝
Six months	12⅝-12⅞	16¼-16½	16¼-16¾	11⅞-12⅛	8¾-9¼	12⅛-12⅜	20-21½	23-24	15½-16½	7⅜-7⅝
One Year	13⅛-13⅜	15¾-16	16¼-17⅛	11⅞-12⅛	8⅛-8⅜	12⅛-12⅜	18½-20	23⅛-24½	15¼-16¼	7⅛-8⅛

SDR linked deposits: one-month 15¼-15⅜ per cent; three-months 15-15⅜ per cent; six-months 14¼-14⅜ per cent; one-year 14⅛-14⅜ per cent. ECU linked deposits: one-month 15⅜-15⅝ per cent; three-months 15⅛-15⅜ per cent; six-months 15⅛-15⅜ per cent; one-year 14½-15⅛ per cent. Asian $ (closing rates in Singapore): one-month 18⅛-18⅜ per cent; three-months 16⅞-17 per cent; six-months 16⅛-16⅜ per cent; one-year 15⅛-15⅜ per cent. Long-term Eurodollar two years 15⅛-15¾ per cent; three years 15¼-15⅝ per cent; four years 15⅛-15⅝ per cent; five years 15⅛-15⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.60-17.70 per cent; three-months 16.55-16.65 per cent; six-months 15.80-15.90 per cent; one-year 15.30-15.40 per cent.

INTERNATIONAL MONEY MARKET

German rates ease

Call money was little changed at 11.70-11.90 per cent in Frankfurt yesterday, compared with 11.75-11.85 per cent on Friday. Period rates also showed only slight movements, but the general trend was slightly easier. One-month was quoted at 12.65-12.85 per cent, compared with 12.70-12.90 per cent; three-month at 13.15-13.25 per cent, against 13.10-13.25 per cent; six-month at 13.10-13.20 per cent, compared with 13.15-13.30 per cent; and 12-month at 13.00-13.20 per cent, against 13.10-13.30 per cent. Conditions remained comfortable ahead of the large tax payments due before the end of June, while banks maintained a large surplus on their minimum reserve requirements. Sentiment was helped by the improved confidence of the domestic bond market and the strength of the D-mark against the dollar.

No change in credit policies is expected at today's Bundesbank council meeting, with German markets closed on Wednesday and Thursday for public holidays.

In New York Chemical Bank became the first major U.S. bank to reduce its prime lending rate to 19 per cent from 20 per cent. Last week Marine Midland Bank reduced its prime rate to 19½ per cent. In early trading the Federal funds overnight rate was little changed at 18⅛ per cent.

MONEY RATES

NEW YORK

Prime Rate	19-20
Fed. Fund	18¼-18½
Treasury Bills (13-week)	13.96
Treasury Bills (26-week)	13.44

GERMANY

Special Lombard	12.00
Overnight Rate	11.80
One month	12.75
Three months	13.20
Six months	13.15

FRANCE

Intervention Rate	22
Overnight Rate	20
One month	19.625
Three months	19.625
Six months	17.75

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.375
Bill Discount (three-month)	7.53125

GOLD

Little change

Gold closed at $469-472 an ounce in the London bullion market yesterday, just one dollar down from Friday's close. There was little reaction to the dollar's sharp fall and after opening at $472-475, the metal was fixed at $472.25 in the morning and $471.75 in the afternoon.

In Paris the 12½ kilo bar was fixed at FFr 96,000 per kilo ($528.29 per ounce) in the afternoon compared with FFr 96,000 ($528.00) in the morning and FFr 97,000 ($528.65) on Friday afternoon.

In Frankfurt gold closed at $470-473, unchanged from Friday.

In Zurich it fined at $471-474 per ounce, compared with $470-$473 previously.

	June 15		June 12	
Gold Bullion (fine ounce)				
Close	$469-472	(£234½-235½)	$470-473	(£240-241½)
Opening	$472-475	(£235¾-240½)	$466-469	(£239-240½)
Morning fixing	$472.25	(£236.130)	$467	(£239.110)
Afternoon fixing	$471.75	(£235.816)	$472	(£240.616)
Gold Coins				
Krugerrand	$482½-483½	(£241¼-241¾)	$485-486	(£247½-248)
½ Krugerrand	$249-250	(£124½-125)	$250½-251½	(£127¾-128¼)
¼ Krugerrand	$127-128	(£63½-64)	$127½-128½	(£65-65½)
1/10 Krugerrand	$52-53	(£26-26½)	$52-53	(£26½-27)
Mapleleaf	$474¾-475¾	(£237½-238)	$475-477	(£242½-243½)
New Sovereigns	$117-118	(£58½-59)	$118-119	(£60½-61)
King Sovereigns	$128-130	(£64-65)	$128-130	(£65½-66½)
Victoria Sovs.	$128-130	(£64-65)	$128-130	(£65½-66½)
French 20s	$123-129	(£61½-64½)	$124-130	(£63¼-66¼)
50 pesos Mexico	$581-586	(£290½-294)	$583-590	(£297½-301)
100 Cor. Austria	$450-456	(£225-228)	$452-458	(£230½-233½)
$20 Eagles	$583-588	(£291½-294)	$580-585	(£296-298½)

UK MONEY MARKET

Easier trend

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Short-term interest rates showed an easier trend in the London money market yesterday, despite an apparent shortage of overnight money in late trading. Discount houses buying rates for three-month eligible bank bills fell to 12 3/16 per cent from 12 5/16 per cent, while the three-month interbank rate declined to 12 5/16-12 7/16 per cent from 12 11/16-12 7/8 per cent.

In a fairly tight finish the houses paid up to 12 per cent for secured call loans, compared with 10¼-10½ per cent earlier in the day, while the interbank overnight rate closed at 14-15 per cent. The authorities did not intervene after a day when a large amount of maturing Treasury bills held by the market was roughly balanced by a moderate excess of revenue payments to the Exchequer over Government disbursements.

LONDON MONEY RATES

June 15 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	10½-15	11-11⅛	—	—	11¼-11½	10½-12	—	—	—
2 days notice	—	—	11⅛-11½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅛-11⅜	11¼-11¾	—	11½	11½-11¾	10¾	—	—	—
One month	11⅞-11¾	11¾-11⅞	11¾-12	13⅛-12¾	12⅛	12⅛-12⅜	11½	11⅞	11¾	12¼
Two months	12⅜-12¼	12¼-12⅞	—	13¼-12⅞	12⅝	12¾	11¾-12	12⅛	12 1/16-12⅛	12⅝
Three months	12⅜-12 7/16	12⅜-12 11/16	12⅝	13¼-12⅞	12⅞	12⅞-13	12	12 3/32-12⅛	12 3/16	12⅝
Six months	12 11/16-12⅝	12⅞-13	12⅞-13	13¼-12⅞	13¼	13¼	—	—	12-12⅛	12¾
Nine months	12⅞-12¾	13 1/16-13¼	—	13½-13⅛	13½	13½	—	—	—	—
One year	13 1/16-12 13/16	13¼-13⅝	13½	13½-13⅛	13⅝	13⅝	—	—	—	—
Two years	—	—	13½-13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four years 13⅞-14⅛ per cent; five years 13⅞-14⅛ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 5/16 per cent; four-months trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 11⅝-11¾ per cent; two-months 11⅞-12 per cent; three-months 11⅞-11 31/32 per cent. Approximate selling rate for one-month bills 11⅝ per cent; two-months 11 15/16-12 per cent; three-months 12 1/16-12 3/32 per cent; one-month trade bills 12 per cent; two-months 12¼ per cent and three-months 12⅜ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 12.0732 per cent.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 15, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	111.50
Albania	Lek	10.15
Algeria	Dinar	8.2995
Andorra	French Franc / Spanish Peseta	11.2125 / 188.50
Angola	Kwanza	(Cm) 66.23 / (T) 68.55
Antigua (S)	E. Caribbean $	5.55
Argentina	Ar. Peso Free Rate	8,653.0
Australia (S)	Australian $	1.7495
Austria	Schilling	33.405
Azores	Portug'se Escudo	125.60
Bahamas (S)	Ba. Dollar	2.0020
Bahrain (S)	Dinar	0.761
Balearic Isles	Sp. Peseta	188.50
Bangladesh (S)	Taka	36.50
Barbados (S)	Barbados $††	4.0040
Belgium	B. Franc	(cm) 76.85 / (fn) 78.25
Belize	B $	4.0040
Benin	C.F.A. Franc	560.625
Bermuda (S)	Bda $	2.0020
Bhutan	Indian Rupee	15.90
Bolivia	Bolivian Peso	49.05
Botswana (S)	Pula	1.6640
Brazil	Cruzeiro ††	174.60
Brit. Virgin Isles (S)	U.S. $	2.0020
Brunei (S)	Brunei $	4.2575
Bulgaria	Lev	1.9310
Burma	Kyat	13.15
Burundi	Burundi Franc	178.35
CameroonRepublic	C.F.A. Franc	560.625
Canada	Canadian $	2.4050
Canary Islands	Spanish Peseta	188.50
Cape Verde Isle	Cape V. Escudo	75.10
Cayman Islands (S)	Cay. Is. $	1.6683
Cent. Af. Repub.	C.F.A. Franc	560.625
Chad	C.F.A. Franc	560.625
Chile	C. Peso	(Bk)77.46
China	Renminbi Yuan	3.4500
Colombia	C. Peso	(F) 106.47
Comoro Islands	C.F.A. Franc	560.625
Congo (Brazzaville)	C.F.A. Franc	560.625
Costa Rica	Colon	34.45
Cuba	Cuban Peso	1.4495
Cyprus (S)	Cyprus £	0.855
Czechoslovakia	Koruna	(com) 12.50 / (nc) 21.42 / (T)20.83
Denmark	Danish Krone	14.765
Djibouti	Fr.	325 (sg)
Dominica (S)	E. Caribbean $	5.35
Dominican Repub.	Dominican Peso	2.0020
Ecuador	Sucre	(O) 49.90 / (F) 50.37
Egypt	Egyptian £	(U) 1.39
Equatorial Guinea	Ekuele	377.0
Ethiopia	Ethiopian Birr	(P) 4.0450
Falkland Islands(S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.765
Fiji Islands	Fiji $	1.7315
Finland	Markka	8.8375
France	French Franc	11.2125
French C'tyin Af*	C.F.A. Franc	560.625
French Guiana	Local Franc	11.2125
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	560.625
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.69
Germany (West)	Deutsche Mark	4.69
Ghana (S)	Cedi	5.59
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	116.48595
Greenland	Danish Kroner	14.765
Grenada (S)	E. Caribbean $	5.35
Guadaloupe	Local Franc	11.2125
Guam	U.S. $	2.0020
Guatemala	Quetzal	2.0020
Guinea Republic	Syli	42.35
Guinea Bissau	Peso	75.50
Guyana (S)	Guyanese $	5.9310
Haiti	Gourd	10.01
Honduras Repub.	Lempira	3.9918
Hong Kong (S)	H.K. $	10.92
Hungary	Forint	(com) 72.41 / (T)(nc) 65.23
Iceland (S)	I. Krona	14.257(5)
India (S)	Ind. Rupee	15.90
Indonesia	Rupiah	1,246.65
Iran	Rial	156.0(sg)
Iraq	Iraq Dinar	0.57675
Irish Republic (K)	Irish £	1.28425
Israel	Shekel	22.65
Italy	Lira	2,346.5
Ivory Coast	C.F.A. Franc	560.625
Jamaica (S)	Jamaica Dollar	3.5705
Japan	Yen	440.0
Jordan (S)	Jordan Dinar	0.660(sg)
Kampuchea	Riel	2,402.4
Kenya (S)	Kenya Shilling	17.12
Kiribati	Australian $	1.7495
Korea (Nth)	Won	1.89(U)
Korea (Sth)	Won	1,339.52
Kuwait	Kuwait Dinar	0.549
Laos	New Kip	20.02
Lebanon	Lebanese £	8.5225
Lesotho	Loti	1.7240
Liberia	Liberian $	2.0020
Libya	Libyan Dinar	0.5926
Liechtenstein	Swiss Franc	4.09
Luxembourg	Lux Franc	76.85
Macao	Pataca	11.35
Madeira	Portug'se Escudo	125.60
Malagasy Republic	MG Franc	560.625
Malawi (S)	Kwacha	1.7985
Malaysia (S)	Ringgit	4.67
Maldive Islands (S)	Mal Rupee	7.80
Mali Republic	Mali Franc	1,121.25
Malta (S)	Maltese £	0.769
Martinique	Local Franc	11.2125
Mauritania	Ouguiya	111.75
Mauritius (S)	M. Rupee	17.15
Mexico	Mexican Peso	48.19
Miquelon	C.F.A. Franc	560.625
Monaco	French Franc	11.2125
Mongolia	Tugrik	(O)6.51(II)
Montserrat	E. Caribbean $	5.35
Morocco	Dirham	10.43(sg)
Mozambique	Metical	57.28
Nauru	Australian Dollar	1.7495
Nepal	Nepalese Rupee	25.80
Netherlands	Guilder	5.2350
NetherlandAntilles	Antillian Guilder	3.5835
New Zealand (S)	N. Z. Dollar	2.3150
Nicaragua	Cordoba	19.95
Niger Republic	C.F.A. Franc	560.625
Nigeria (S)	Naira	1.267479(sg)
Norway	Norway Krone	11.6925
Oman Sul'ate of(S)	Rial Omani	0.683
Pakistan	Pakistan Rupee	19.80
Panama	Balboa	2.0020
Papua N.Guinea(S)	Kina	1.3605
Paraguay	Guarani	250.25
Peru	Sol	exe (A) 830.47
Philippines	Philippine Peso	15.50
Pitcairn Islands (S)	£ Sterling / New Zealand $	1.0 / 2.3150
Poland	Zloty	(Cm)70.22 / (T)70.22
Portugal	Portug'se Escudo	125.60
Puerto Rico	U.S. $	2.0020
Qatar (S)	Qatar Ryal	7.19
Reunion Ile de la	French Franc	11.2125
Romania	Leu	(Cm)8.67 / (non) 21.34
Rwanda	Rwanda Franc	192.16
St. Christopher (S)	E. Caribbean $	5.35
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	5.35
St. Pierre	Local Franc	11.2125
St. Vincent (S)	E. Caribbean $	5.35
Salvador El	Colon	4.9725
Samoa American	U.S. $	2.0020
San Marino	Italian Lira	2,346.5
Sao T'omePrincipe	Dobra	76.40
Saudi Arabia	Ryal	6.71
Senegal	C.F.A. Franc	560.625
Seychelles	S. Rupee	12.10(sg)
Sierra Leone (S)	Leone	2.3131
Singapore (S)	Singapore $	4.2575
Solomon Islands (S)	Solomon Is. $	1.7655
Somali Republic	Somali Shilling	(A)12.45
South Africa (S)	Rand	1.7240
South West African Territories (S)	S. A. Rand	1.7240
Spain	Peseta	188.50
Spanish ports in North Africa	Peseta	188.50
Sri Lanka (S)	S. L. Rupee	36.50
Sudan Republic	Sudan £ (1)	1.00
Sudan Republic	Sudan £ (2)	1.60
Surinam	S. Guilder	3.5835
Swaziland (S)	Lilangeni	1.7240
Sweden	S. Krona	10.03
Switzerland	Swiss Franc	4.09
Syria	Syria £	(A)7.80
Taiwan	New Taiwan $	72.072
Tanzania (S)	Tan. Shilling	16.30
Thailand	Baht	41.25
Togo Republic	C.F.A. Franc	560.625
Tonga Islands (S)	Pa'anga	1.7495
Trinidad (S)	Trinidad & Tob. $	4.8048
Tunisia	Tunisian Dinar	1.0105(sg)
Turkey	Turkish Lira	209.48
Turks & Caicos	U.S. $	2.0020
Tuvalu	Australian $	1.7495
Uganda (S)	Uganda Shilling	130.00
United States	U.S. Dollar	2.0020
Uruguay	Uruguay Peso	(cm)21.25 / (fn)21.23
Utd.Arab Emirates	U.A.E. Dirham	7.35
U.S.S.R.	Rouble	1.4655
Upper Volta	C.F.A. Franc	560.625
Vanuatu	Vatu / Aust. Dollar	170(sg) / 1.7495
Vatican	Italian Lire	2,346.5
Venezuela	Bolivar	8.595
Vietnam	Dong	(O)4.5205 / (T)8.79
Virgin Islands U.S.	U.S. Dollar	2.0020
Western Samoa	S. Samoan Tala	2.0056
Yemen (Nth)	Ryal	8.93(sg)
Yemen (Sth)	S. Yemen Dinar	(A)0.6770
Yugoslavia	New Y Dinar	72.6352
Zaire Republic	Zaire	8.454094
Zambia	Kwacha	1.7475
Zimbabwe	Zimbabwe $	1.3750

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 84.10. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

NEW YORK

Stock	June 12	June 11
[illegible]	[illegible]	[illegible]

Sharp early Wall St. advance

PROPELLED BY softening U.S. interest rates, Wall Street moved sharply higher in heavy trading yesterday morning.

"A decline in the weekly money supply figures and a cut in the Prime Rate sent investors rushing for stocks," said one market analyst.

Chemical Bank and Manufacturers Bank of Los Angeles trimmed their Prime interest rates to 19 per cent from 20, a moved expected to draw industry support. Analysts said there is a general conviction on Wall Street that rates have peaked and that they may come down quite substantially over the near-term.

The Dow Jones Industrial Average was 8.94 stronger at 1,015.22 at 1 pm, while the NYSE All Common Index gained 49 cents to $78.09 and advancing issues outpaced declines by more than a two-to-one ratio. Trading volume came to 48.36m shares, against last Friday's 1 pm level of 46.39m.

Demand centred on Banking and interest rate-sensitive shares, although Japanese issues also attracted a wide following, reflecting a substantial gain in the yen against the dollar in Foreign Exchange trading in the U.S. and overseas.

Honda Motor climbed $4½ to $37⅞ and Matsushita $2⅞ to $78⅛. Among the Banks, Wells Fargo gained $1⅛ to $35⅛ and Chemical New York $2 to $62⅛.

American Telephone put on $⅞ to $58⅛, partly the result of strong demand for its equity offering. General Motors added $1⅛ at $57⅞ in otherwise just fractionally higher Motors.

THE AMERICAN SE Market Value Index was 2.19 higher at 369.90 at 1 pm. Volume 4.02m shares.

Canada

Markets displayed a firmer bias at mid-day in fairly active dealings. The Toronto Composite index improved 4.9 to 2,368.9, Golds 20.0 to 4,063.1 and Oil and Gas 11.7 to 4,873.7.

Tokyo

The market reached an all-time high yesterday in active trading on signs of a sustained decline in U.S. interest rates and also the yen's sharp recovery against the U.S. dollar.

The Nikkei-Dow Jones Average climbed 62.29 more to a record 7,711.75, while the Tokyo SE index moved ahead a further 4.81 to 577.79. However, buying was rather selective, with rises leading falls by only 320 to 257 on the First Market section after volume of 550m shares. Last Friday's turnover was 530m, while 330m shares were traded in Saturday's half-day session.

Defence-related issues firmed in response to increased pressure from the U.S. on Japan to spend more on defence.

Steels, Shipbuilders, Heavy Electric Machines, Motors and high-priced Light Electricals were bought actively, while issues related to high technology, such as Optical Fibres, Industrial Robot and Machine Tool makers, were also preferred, but Oils and non-ferrous Metals were generally easier.

Kawasaki Steel gained Y8 to Y216, Sumitomo Metal Y6 to Y279, Mitsubishi Electric Y14 to Y383, Hitachi Y10 to Y696, Mitsubishi Heavy Y13 to Y319, Kawasaki Heavy Y7 to Y230, Sony Y150 to Y5,450, Victor Japan Y70 to Y3,990 and Matsushita Electric Y50 to Y1,740.

Paris

The Socialist Party's strong advance in Sunday's first round of the French Parliamentary elections was viewed with mixed feelings at the Paris Bourse yesterday in calm trading conditions. Shares finished with no clear trend after a very quiet session, a sharp contrast to the collapse of the market following the election of Francois Mitterrand to the French Presidency on May 10.

Market observers noted that while some punters were not too unhappy with Sunday's result, since it reduces the threat of Communist ministers being appointed to key posts in the new Government, others point out that the Socialists will have a free hand to go ahead with their programme of nationalising France's major corporate enterprises and the banking sector.

Declines slightly outnumbered gains in the French section, while the reverse was the case among foreign issues.

Banks, Textiles and Engineerings were generally easier, but Stores were favoured. Portfolios, Foods, Electricals, Metals and Oils showed no clear pattern.

Hong Kong

Profit-taking caused most shares to retreat yesterday after last week's record setting performance. The Hang Seng index receded 28.20 from last Friday's all-time high to close at 1,752.35. Turnover remained very heavy, amounting to HK$573.58m on the four stock exchanges, against Friday's total of HK$991.92m.

Brokers, however, said the fall did nothing to shake their belief that the market was headed for an index level of 2,000 before the rally ends. One broker commented that the decline in U.S. interest rates was expected to pick up steam and fuel more buying of Hong Kong shares.

Good response to the sale of a residential complex in Tsunwan helped underlying market sentiment — although developer of the complex, Cheung Kong, shed HK$1.00 to HK$32.50. The other developer, International City Holdings, which made its market debut yesterday, reached a day's high of HK$1.80 shortly after opening at HK$1.65, and closed at HK$1.70, compared with the issue price of HK$1.00.

Australia

Led by Vamgas and the Canning Basin oil hopefuls, shares tended to firm in a market still troubled by communications difficulties.

It was learned over the weekend that Home Oil executives, prompted by the Toronto Stock Exchange, told a news conference that under acid stimulation the Blina well would flow 2,000 barrels of oil a day. Vamgas said that the eighth drill-stem test had flowed 70 barrels of oil a day from an interval which straddled the major oil intersection.

Investors, as a result, went for the Home Oil estimate, and pushed Vamgas up A$1.70 to A$15.70. Woodside, which holds more than 50 per cent of Vamgas equity, gained 12 cents to A$3.30.

Western Mining put on 20 cents to A$5.72 and Eagle 15 cents to A$1.05 on the strength of leases held close to the Blina discovery.

Germany

After showing fresh firmness at the outset, the market eased back to end on a mixed note following a moderate business.

Profit-taking and caution ahead of today's Bundesbank Central Council meeting were cited as reasons for the subsequent downturn. However, the Commerzbank index recorded a further improvement of 3.4 at 735.8, a new 1981 high, with many prices still underpinned by foreign buyers, including U.S. investors.

Banks provided a strong sector, with Commerzbank up DM 2.50 at DM 135.50 and Dresdner DM 2.40 at DM 154.90, while in mixed Engineerings, Linde rose DM 3 to DM 325, but KHD shed DM 3.50 to DM 195 and GHH DM 3 to DM 217.

Among Oil and Energy stocks, Veba slipped DM 1.20 to DM 129.10 following reports that its first-quarter profit was down DM 8m to DM 95m from a year ago. RWE, however, gained DM 1.50.

The Domestic Bond market continued to advance strongly, with Public Authority paper rising by up to DM 1.50 and the Bundesbank selling DM 144.2m of intervention stock.

Closing prices for North America were not available for this edition.

CANADA

Stock	June 12	June 11
[illegible]	[illegible]	[illegible]

BELGIUM (continued)

June 15	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

DENMARK

June 15	Price %	+ or −
[illegible]	[illegible]	[illegible]

FRANCE

June 15	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

GERMANY

June 15	Price Dm.	+ or −
[illegible]	[illegible]	[illegible]

AUSTRIA

June 15	Price %	+ or −
[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

June 15	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

HOLLAND

June 15	Price Fls.	+ or −
[illegible]	[illegible]	[illegible]

ITALY

June 15	Price Lire	+ or −
[illegible]	[illegible]	[illegible]

NORWAY

June 15	Price Kroner	+ or −
[illegible]	[illegible]	[illegible]

SWEDEN

June 15	Price Kronor	+ or −
[illegible]	[illegible]	[illegible]

SWITZERLAND

June 15	Price Fr.	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA

June 15	Price Aust. $	+ or −
[illegible]	[illegible]	[illegible]

HONG KONG

June 15	Price H.K.$	+ or −
[illegible]	[illegible]	[illegible]

JAPAN

June 15	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

JAPAN (continued)

June 15	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

SINGAPORE

June 15	Price $	+ or −
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

June 15	Price Rand	+ or −
[illegible]	[illegible]	[illegible]

Financial Rand U.S.$0.844 (Discount of 27%)

BRAZIL

June 15	Price Cruz	+ or −
[illegible]	[illegible]	[illegible]

Indices

NEW YORK —DOW JONES

	June 12	June 11	June 10	June 9	June 8	June 5	1981 High	1981 Low	Since Cmpil't' High	Since Cmpil't' Low
◆Industr'ls	1006.28	1007.4	993.68	994.44	996.64	983.79	1024.05 (27/4)	931.57 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	60.78	60.56	60.75	60.48	60.48	60.28	65.78 (15/1)	58.37 (7/5)	—	—
Transport.	426.34	427.60	425.41	426.80	427.80	426.28	447.38 (16/4)	373.10 (20/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	101.08	110.12	107.88	105.78	106.32	106.70	117.81 (6/1)	103.99 (6/5)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000'†	60,730	69,000	53,200	44,600	41,870	47,180	—	—	—	—

◆Day's high 1017/22 low 996.77

Ind. div. yield %	June 5	May 29	May 22	Yearago (approx
	5.62	5.61	5.77	6.13

STANDARD AND POORS

	June 12	June 11	June 10	June 9	June 8	June 5	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	149.83	150.87	148.77	148.66	149.80	149.15	157.02 (6/1)	143.73 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	133.49	134.51	132.22	131.97	132.24	132.22	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	June 11	June 3	May 27	Year ago (approx
Ind. div. yield %	4.76	4.79	4.62	5.12
Ind. P/E Ratio	9.46	9.14	9.57	7.75
Long Gov. Bond Yield	12.56	12.86	13.01	9.75

N.Y.S.E. ALL COMMON

June 12	June 11	June 10	June 9	1981 High	1981 Low
77.60	77.63	76.78	76.54	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 12	June 11	June 10
Issues Traded	1,911	1,923	1,910
Rises	886	1,139	900
Falls	676	442	645
Unchanged	349	342	365
New Highs	—	—	88
New Lows	—	—	18

MONTREAL

	June 12	June 11	June 10	June 9	1981 High	1981 Low
Industrials	401.79	403.08	402.05	401.83	409.56 (27/5)	356.26 (20/2)
Combined	372.72	372.53	371.65	370.75	375.16 (27/5)	338.34 (20/2)
TORONTO Composite	2364.0	2357.6	2340.0	2327.5	2378.8 (10/4)	215.4 (20/2)

	June 15	June 12	June 11	June 10	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	710.6	706.1	706.0	705.1	757.5 (6/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	616.3	612.5	612.5	604.1	735.2 (7/1)	554.9 (5/5)
AUSTRIA						
Credit Aktien (2/1/62)	68.45	60.40	60.08	58.69	68.45 (5/1)	68.69 (10/6)
BELGIUM						
Belgian SE (31/12/63)	69.58	69.71	70.09	70.02	86.75 (17/2)	63.58 (15/6)
DENMARK						
Copenhagen SE (1/1/73)	108.02	108.65	109.24	110.85	112.5 (26/5)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	77.5	77.80	79.8	80.30	112.5 (17/2)	77.5 (15/6)
Ind Tendance (31/12/80)	(u)	79.20	80.8	82.30	106.8 (13/3)	79.2 (12/6)
GERMANY						
FAZ-Aktien (31/12/58)	238.81	237.80	235.95	235.07	238.81 (15/6)	215.98 (9/2)
Commerzbank (Dec. 1953)	735.8	732.40	726.0	716.1	735.8 (15/6)	658.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	95.0	94.8	93.0	92.3	95.0 (15/6)	86.7 (2/1)
ANP-CBS Indust. (1970)	75.5	74.3	73.4	73.1	75.5 (15/6)	62.3 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1752.35	1780.55	1754.53	1764.25	1780.55 (12/6)	1285.44 (11/5)
ITALY						
Banca Comm Ital (1972)	280.20	280.28	271.27	281.96	292.03 (5/6)	173.86 (6/1)
JAPAN						
Dow Average (16/5/49)	7711.75	7654.86	7609.3	7484.52	7711.75 (15/6)	6956.52 (13/6)
Tokyo New SE (4/1/68)	577.79	569.33	565.56	557.14	577.79 (15/6)	495.79 (5/1)
NORWAY						
Oslo SE (1/1/72)	116.04	116.71	116.13	114.93	127.37 (4/5)	110.34 (5/6)
SINGAPORE						
Straits Times (1966)	829.21	835.50	837.04	812.28	837.04 (11/6)	668.51 (2/1)
SOUTH AFRICA						
Gold (1958)	(u)	—	597.1	595.1	797.6 (7/1)	561.5 (5/6)
Industrial (1958)	(u)	—	621.6	622.9	663.5 (1/5)	557.2 (5/2)
SPAIN						
Madrid SE (30/12/80)	(c)	159.50	155.0	151.46	159.5 (12/6)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	554.39	551.32	552.12	562.00	556.42 (5/6)	494.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	291.0	289.7	288.3	286.0	304.2 (2/4)	278.8 (27/5)
WORLD						
Capital Intl. (1/1/70)	—	155.2	155.9	155.9	162.8 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	on day		Stocks traded	Closing price	on day
Sears Roebuck	894,600	20	+ ⅛	Occidental Pet.	560,700	31	+1⅞
ATT	865,100	57⅞	+ ⅜	RCA	549,100	22⅝	−1½
Gulf & Western	814,800	21⅛	+ ⅜	Bank America	547,400	28	+ ¼
IBM	733,500	59⅞	+ ¼	Amer. Express	473,000	53⅛	− ⅜
Ralston Purina	635,300	14⅛	+ ⅛	General Motors	416,300	56⅞	+ ⅜

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NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

COMMODITIES AND AGRICULTURE

Soviets keep up Argentine grain deals

By David Satter in Moscow

THE Soviet Union will continue to give preference in grain purchases to Argentina, its principal foreign grain supplier, even though the U.S. has lifted its grain embargo, Argentina said yesterday.

Mr Carlos García Martinez, the Argentine trade minister, said in Moscow that he was very satisfied with his talks just concluded with Mr Nikolai Tikhonov, the Soviet Prime Minister and with other officials.

Argentina has agreed to sell the Soviet Union 22.5m tonnes of grain over the next four years and Argentine officials said that the two sides would postpone any discussion on raising the minimum levels until the end of the year.

Mr Garcia said he was convinced, however, that the Soviet Union, which boosted its trade with Argentina fourfold last year, on the strength of purchases of 7.6m tonnes of grain and oilseeds would remain a "major buyer of Argentine grain."

The USSR is expected to make some purchases of U.S. grain in the longterm because it faces feed shortages. But for political reasons, the Soviet Union is reported to be anxious to minimise any future reliance on U.S. grain.

Western agricultural experts believe that Argentina, which had a record harvest, will probably sell 2m tonnes of grain to the Soviet Union this year in addition to the 8m tonnes which has already been sent.

The Soviet Union is believed to have bought all the grain its ports can absorb in the short term but will require further grain imports later on to help feed animal herds.

Russia to build new grain silos

MOSCOW—The Soviet Union will build 20 new grain silos with a combined capacity of 20m tonnes by 1985, Soviet minister of procurement Mr Grigory Zolotukhin has announced.

The Silos will be built in all republics of the USSR, but most will be allocated in the main grain areas of the Russian Federation, the Ukraine and Kazakhstan and at big sea and river ports, he said.

Britain gets tough over lamb exports levy

BY LARRY KLINGER IN LUXEMBOURG

BRITAIN yesterday toughened its stand in support of UK lamb exporters by threatening to block a range of recent Council of Ministers' decisions until new proposals are made to allow greater sales to the Continent.

M Gaston Thorn, the Commission president, criticised British Agriculture Minister Peter Walker's tactics as undermining the Council's credibility on the eve of Britain's assuming the Council presidency from July 1, but he agreed that the Commission would make new proposals soon to reduce the effect of the so-called "clawback" levy that makes substantial UK lamb exports to the Community unprofitable.

The expectation now is that the Commission will present new proposals within the next two weeks, as Mr Walker's threat implied a July 1 deadline, when the EEC's new sugar marketing regime would come into effect if no longer subject to British blocking manoeuvres.

Mr Walker's "reserve" also covers other measures concerning products such as olive oil and wine, but these measures are not due to come into effect until much later this year.

While no one at yesterday's farm council meeting here was predicting an immediate solution to the UK lamb issue, there was some optimism that agreement might be reached next month.

There was a flurry of communications between London and Brussels late last week on technical ways of adjusting the "clawback" so that British exports could regain their share of the Continental market without upsetting the balance of the overall market support scheme.

Moreover, France, while still strongly maintaining that the balance must not be altered, was much muted in its opposition yesterday — emphasising that it realised that Britain had special problems.

The "clawback" is a levy on British exports to the rest of the EEC designed to ensure that Britain's system of guaranteeing domestic prices does not act as a subsidy for Continental sales.

British lamb exports to the rest of the Community have slumped to less than half of their level before the Community-wide sheepmeat marketing arrangements were agreed last autumn.

The result is that there is an estimated 40,000 to 50,000 tonnes of meat on the British market that would have gone mainly to France, West Germany and Belgium.

Home market prices are being depressed by the influx of meat which would have gone abroad and lamb-producing countries outside the EEC, notably Australia, have voiced fears that Britain might be forced to try to step up exports to other markets in competition with their produce.

After yesterday's Commission undertaking, Mr Walker again refused to lift his "reserve" on the other measures, arguing that two months had elapsed since the Commission, supported by the council, had agreed to propose a "short-term" solution to the problem.

The commission had proposed a "long-term" solution that would have reduced the "clawback" by adjusting the British domestic support system but this was rejected by Britain as being impracticable during mid-season and would have to be tackled at the annual price-fixing next spring.

● Council of Agriculture Ministers yesterday again failed to agree on controlling the use of hormones to promote growth in animals for human consumption in spite of a move by most member-states towards accepting a European Commission compromise that would have banned those "proved to be dangerous."

The ministers simply decided to refer the issue back to various high-level EEC committees for further study.

The decision, or lack of it, will anger European consumer groups, which have long campaigned for a total ban, except for therapeutic use, and had won from the Commission just such a proposal after the successful European boycott of veal last summer.

Sterling boost hits metals

THE RISE in the value of sterling brought a generally easier trend on the London metal markets yesterday. Trading activity was subdued and the markets failed to react much to news of the cut in U.S. interest rates.

Changes in LME warehouse stocks were largely as anticipated. Aluminium holdings showed the only increase rising by 4,275 to a total of 60,800. Copper stocks fell by 575 to 116,175 tonnes; tin by 185 to 7,465; lead by 1,100 to 47,425; zinc by 350 to 87,100; and nickel by 42 to 2,310 tonnes. LME silver holdings dropped by 40,000 to 25,420,000 ounces.

Silver prices held steady in early dealings, in spite of the decision by the U.S. Congress armed services committee to authorise the sale of stockpile silver. The London spot quotation at the morning fixing was only 5.1p lower at 531.4p a troy ounce. But in the afternoon values eased and cash silver on the Metal Exchange closed at 519.5 an ounce, 22p down on Friday's close.

Nancy Dunne in Washington writes: Congress, prodded by its need to raise money, is moving towards authorisation of a large sale of Silver from the government-held stockpile of strategic and critical materials.

The sale is expected to meet little opposition in Congress or from the White House, which initially wanted to sell off the entire silver stockpile of 139.5m ounces, worth about $1.4bn.

Also for money-raising purposes, the House budget committee is considering measures approving the sale of antimony, industrial diamonds, mica, iodine and mercury.

India seeks sugar imports

NEW YORK — The Indian Government is in the world market to buy 50,000 to 100,000 tonnes of white sugar for shipment in July/August this year, sugar traders said.

They said the offer to buy sugar is coming from the Indian Government and not from India's State Trading Corporation, the agency normally associated with sugar dealings.

Reuter

COFFEE PACT MEETING

Brazil prepared to go it alone

BY RIK TURNER IN SAO PAULO

THE Brazilian Government is planning radical changes in its coffee sales policy, to be announced by the end of June. The changes include the extinction of the Brazilian Coffee Institute (IBC), the abolition of the "contribution quota" export tax paid by growers, and the replacement of the guarantee price paid by the Government to growers by a "reference price" established by a committee made up of growers, exporters, domestic roasters and Government representatives.

In addition, Brazil will press for an increase in its export quota under the international coffee agreement, from 14.5m to 20.5m bags, and seek to achieve a prior consensus for the formulation of a new agreement, when the existing one runs out in September. If the country is unsuccessful in these two attempts, it is prepared to go to the market uncovered by any agreement with the consumer countries.

This is the essence of a speech made by the secretary of the finance ministry, Sr Carlos Viacava, before a meeting of the National Coffee Council (CNC), a private body of growers, in Brasilia last week. According to the coffee trade, however, the initiative comes from the all-powerful planning minister, Professor Antonio Delfim Neto.

Sr Francisco Arantes, who heads a brokerage company in Sao Paulo, said that at a meeting between the minister and representatives of the CNC at which Sr Viacava was present, Sr Delfim informed them of his plans for the coffee sector, faced with low international prices and a consequent drop in export earnings below the 1981 target for coffee, set at $2.3bn at the beginning of this year.

Sr Delfim's thinking, according to the coffee trade, is that Brazil is now in a position to abandon its former position of solidarity with other producing nations, which reached a high point in the ill-fated producers cartel, Pancafé, in 1980. If agreement that Brazil should receive "at least 50 per cent" of the 30.5m bag quota wants is not reached, the country will simply withdraw from all future agreements, leaving other producers to their fate in an essentially bearish market.

In this case, the country would then use its huge crop, estimated by the IBC at 31m bags this year, of which only 7m bags would be required for domestic consumption. By threatening to open or close export registries, Brazil would therefore attempt to manipulate the market, a move which would be strengthened by a bilateral agreement with the world's second biggest producer, Colombia.

The declarations by Sr Viacava must be treated with a dose of scepticism, however, given both the international and Brazilian domestic situations. For the first time, coffee loses its place as the leading agricultural export earner to soya, bringing $2.8bn this year. It may not even reach the target necessary for Brazil to achieve a trade balance. Therefore Sr Delfim's objective could be to alarm the market, bringing a shortlived rise in prices.

Furthermore, the government is under pressure at home. The CNC, a body formed only two years ago, took advantage of the poor international market and the bumper crop to bring over 4,000 unsatisfied growers to protest in the capital. They complained about the IBC, which has been "exporting" the export tax via large discounts to importers. With direct elections for state and federal legislatures scheduled for 1982, the government must be seen to be working for its political clientele. The latter is predominantly rural, since the government will almost certainly be beaten in large urban centres.

Australian wool growers seek rise

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIAN WOOL growers are seeking government approval for a 12 per cent increase in the floor price of Australian wool sold at auction at the new wool selling season beginning next month.

Mr Ian McLachlan, president of the Wool Council of Australia, which represents the country's wool producers, has asked Mr Peter Nixon, the minister for primary industry, to approve a floor price of $A4.10 a kilo clean.

Mr McLachlan said this would bring the floor price closer to the current market price. The market indicator is presently around A$4.27 a kilo clean.

The Wool Council decision has been made on the basis of market outlook projections by the Australian Wool Corporation, the Australian Government Bureau of Agricultural Economics and after discussions at the recent meeting in New Zealand of the International Wool Textile Organisation.

The recommended floor price is in line with market performance over the past 12 months, Mr McLachlan says, and it would ensure confidence among producers and consumers of wool without forcing the market.

The floor price is the level at which the Australian Wool Corporation enters the market and buys wool if market prices fall.

The government is expected to announce its decision by the end of this month.

Meanwhile wool sales delayed by the two-week telecommunications dispute may be held later this week if the telecom dispute is settled today.

The Joint Wool Selling Organisation met in Sydney yesterday to review sales arrangements. There are only two weeks left in the season, and around 200,000 bales remain to be sold.

The JWSO is considering extending this season's sales or holding the wool over to the first sales of the new season which are scheduled for the first week in July.

Surprise fall on London market

BY JOHN EDWARDS, COMMODITIES EDITOR

COFFEE PRICES fell back on the London robusta futures market yesterday, in spite of the emergency meeting of the International Coffee Organisation called to discuss ways of halting the recent price slide. The September futures position ended £24.5 down on Friday's close at £859 a tonne, after trading at £900 earlier in the day.

London traders were at a loss to account for the sudden drop in values, although the rise in the value of sterling against the dollar was a depressing influence.

It was suggested, however, that the decline may have also been prompted by fears that the International Coffee Organisation might not be able to resolve the differences among member countries on the best way to regain control of market prices.

Yesterday's meeting of the ICO executive board, whose decisions may have to be endorsed by a full council meeting, was considering two alternatives: either an immediate cut of 1.4m bags (of 60 kilosh each) in export quotas to take effect in the July-September quarter, or retention of a similar amount of "export stamps" at least until the next meeting on June 30. Delegates said the Board had to convene now in view of the fact that 12.1m bags of export quota stamps were due to be released yesterday to cover shipments in the July-September period. Holding back these stamps would give the council more time to assess the market situation and the best way of combatting the price decline.

The cut in export quotas suggested would be the fourth reduction in the present (1980-1981) season and this might have to be either referred to a full council meeting or receive the backing of at least two-thirds of the member countries.

The last (third) quota cut was triggered off automatically 10 days ago in response to the fall in market prices, which last week declined to the lowest level for five years. (September futures touched a low of £835 in London).

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES lost ground on the London Metal Exchange as sterling moved up sharply against the dollar. Copper closed at £896.5, three months, after £905, while Tin eased throughout the day and finished at £6,500. Lead and Zinc closed at £383.5 and £423.5 respectively. Aluminium ended the day at a low of £592.5 and Nickel was finally quoted at £3,149.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
Wirebars	£	£	£	£
Cash	879.5-80	−8.5	871.5-2	−7.5
3 months	904.5-.5	−5.5	896.5-7	−6
Settlem't	880	−8	—	
Cathodes				
Cash	873.5-4	−7	864.5-5	−7.5
3 months	893.5-4	−5	885.5-6	−7.75
Settlem't	874	−7	—	
U.S. Prod.	—		*81.5-85	

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £881, 80.5, three months £902, 02.5, 04.5, 05, 04.5, 04. Cathodes: Cash £874, three months £893.5. Kerb: Wirebars: Cash £879.5, three months £904, 03.5, 04. Afternoon: Wirebars: Three months £900, 01.5, 01, 898, 99, 98.5, 98, 97, 97.5, 97. Cathodes: Cash £865. Kerb: Wirebars: Three months £897, 97.5, 96, 97, 96.5. Turnover: 23,075 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6435-40	−75	6370-80	−165
3 months	6555-60	−80	6500-5	−102
Settlem't	6440	−75	—	
Standard				
Cash	6435-40	−75	6370-80	−165
3 months	6555-60	−80	6500-5	−100
Settlem't	6440	−75	—	
Straits E.	$833.43	−4.5	—	
New York	—		—	

Tin—Morning: Standard: Cash £6,440, three months £6,570, 60, 58, 60, 50, 55, 60. High Grade: Cash £6,440. Kerb: Standard: Three months £6,555, 50. Afternoon: Standard: Three months £6,530, 25, 30, 20, 10, 05, 02, 01, 00, 05. Kerb: Standard: Three months £6,505, 10, 05, 6,500. Turnover: 1,085 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	359.5-60.5	−5.75	357.5-8.5	−7.75
3 months	366-6.5	−5	366.5-7	−1.87
Settlem't	360.5	−6	—	
U.S. Spot	—		*38-41	

Lead—Morning: Cash £360, 59.5; three months £370, 71, 70, 69. Kerb: Cash £360.5; three months £368.5, 68, 67.5, 67. Afternoon: Three months £367, 67.5, 67, 68. Kerb: Three months £367, 67.5, 67, 66. Turnover: 5,526 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	434.75-5	+.375	422.5-4	−1.25
3 months	435.5-6.5	−1.25	422.5-3	−1.75
Settlem't	435	—		
Primw'ts	—		*46.5	

Zinc—Morning: Cash £425, three months £426, 25.5, 26. Kerb: Three months £426, 25.5, 25. Afternoon: Three months £425, 25.5, 26, 24.5. Kerb: Three months £423, 23.5, 24, 23.5, 23. Turnover: 6,425 tonnes.

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	634.5-5	−8.75	631.5-2	−7.5
3 months	655.5-6	−7.5	652-3	−8

Aluminium—Morning: Cash £635; three months £656, 55.5. Kerb: Three months £655. Afternoon: Cash £632; three months £653, 54, 53.5, 53, 52, 52.5. Kerb: Three months £652.5, 52.5. Turnover: 6,825 tonnes.

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	3125-30	−42.5	3095-105	−65
3 months	3165-75	−42.5	3146-9	−55

Nickel—Morning: Cash £3,130; three months £3,170. Kerb: Three months £3,160, 70. Afternoon: Three months £3,155, 61, 55, 45, 46. Kerb: Three months £3,150, 49, 50. Turnover: 840 tonnes.

SILVER

Silver was fixed 5.1p an ounce lower for spot delivery in the London bullion market yesterday at 531.4p. U.S. cent equivalents of the fixing levels were: spot $10.54, up 7c; three-month $10.991, up 6.1c; six-month $11.394, up 6.3c; and 12-month $12.208, up 6.5c. The metal opened at 531-538p ($10.50-$10.65) and closed at 517p-524p ($10.35-$10.50).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	531.40p	−5.10	519.5p	−22
3 months	546.75p	−4.85	535.5p	−21.7
6 months	563.35p	−4.8	—	
12months	602.85p	−4.8	—	

LME—Turnover 72 (160) lots of 10,000 ozs. Morning: Three months 549, 49.5, 48, 48.5, 48. Kerb: Three months 548, 48, 45. Afternoon: Three months 539, 38, 37.5, 38, 37.5, 37, 36.5, 36, 35, 35.5. Kerb: Untraded.

COCOA

Futures remained steady throughout a featureless day as short-covering in light volume caused prices to close with modest gains. Physical business was scarce as producers remained above current levels, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or −	Business Done
July	795-796	+1.0	800-793
Sept	827-828	+4.5	833-821
Dec	866-867	+6.0	871-858
March	899-901	+9.5	904-890
May	918-919	+6.0	920-911
July	935-937	+3.5	937-932
Sept	952-956	+2.5	956-955

Sales: 2,882 (5,109) lots of 10 tonnes.

ICCO Futures—Daily price for June 12: 70.91 (72.05); five-day average 72.61 (73.19).

COFFEE

An active day saw values mainly on the defensive as the early advance failed to attract any follow-through buying, reports Drexel Burnham Lambert. Feelings were mixed, in the afternoon, as to any outcome from the ICO meeting, although prices continued to lose ground to finish near the lows.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
July	842-43	−21.0	880-36
Sept	858-60	−24.5	900-56
Nov	856-57	−25.5	898-54
Jan	849-50	−31.0	900-50
March	845-55	−32.0	898-55
May	840-55	−32.5	875
July	845-55	−27.0	—

Sales: 3,294 (4,013) lots of 5 tonnes.

ICO Indicator prices for June 12: (U.S. cents per pound). Comp. Daily ICA 1978 101.63 (89.42): 20-day average 109.25 (110.06).

WOOL FUTURES

BRADFORD WOOL MARKET—Business was little changed, with inquiries failing to reflect improved price levels following the drop in sterling against the dollar, which has not improved export business, although interest has increased.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo: July 498.0, 500.0, 501.0-499.0; Oct. 493.0, 495.0, 493.0; Dec. 500.0, 502.0, 501.0; March 509.0, 510.0, 509.0; May 514.0, 516.0, nil; July 520.0, 521.0, 520.0-519.0; Oct. 518.0, 520.0; 518.0; Dec. 524.0, 525.0, 524.0-522.0. Sales: 27.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug. 395, 405, nil; Oct. 388, 390, 388; Dec. 389, 392, 390; Jan. 392, 394, 393; Mar. 399, 401, 400-398; May 405, 408, 407-405; Aug. 418, 422, nil; Oct. 422, 426, nil; Dec. 427, 430, 427-426. Sales: 20.

GRAINS

Business done—Wheat: July 115.30 only trades, Sept. 100.15-99.85, Nov. 103.90-103.65, Jan. 107.95-107.85, Mar. 111.30-111.30, May 113.10 one trade. Sales: 144 lots of 100 tonnes. Barley: Sept. 94.50 one trade, Nov. 98.40-98.35, Jan. 102.00 one trade, Mar. 105.35-105.30, May 108.90 one trade. Sales: 47 lots of 100 tonnes.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or −	Yesterday's close	+ or −
July	115.50	−0.45	—	
Sept	99.95	−0.45	94.50	−0.10
Nov	103.65	−0.55	98.30	−0.10
Jan	107.85	−0.50	102.00	−0.15
Mar	111.45	−0.55	105.35	−0.15
May	115.10	−0.55	108.90	−0.10

July wheat opened unchanged. Values eased in fairly quiet trading due to general lack of buying interest to close 40p lower on the day. New crop wheat came under hedge selling pressure, after opening 15p lower, and drifted lower. Barley new crops saw little trade with nearby positions seeing buying support on dips, the main pressure being on distant options, Acli reports.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 103.50, E. Mids 104.90, N. East 104.00, Scotland 100.00. The UK Monetary Coefficient for the week beginning Monday June 22 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent June 111.75, July 112.25, Aug. 112.00 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent June and July 112.75, Aug. 113.00 transhipment East Coast sellers. English Feed fob Sept. 105.00, Oct. 106.50 East Coast, Oct./Dec. 109.00 East Coast sellers. Maize: French June 127.50, first half July 128.00, second half July 128.50 transhipment East Coast sellers. S. African Yellow June/July 90.00 sellers. Barley: English Feed fob July/Aug. 96.50 East Coast, Aug. 98.75 South Coast, Sept. 98.50 Bristol Channel, Oct. 100.00 East Coast sellers. Rest unquoted.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 561 tonnes. A large offtake ensued, after very small operations last week, and business was conducted in a wide range of qualities. Users showed more inclination to anticipate their requirements, particularly American type growths.

TEA AUCTION

LONDON TEA AUCTION—38,549 packages were offered in yesterday's auction. Assams were generally 2p-4p lower. Bright Africans were firm to dearer. Plainer Mediums were sometimes lower, particularly Dusts which were weak. Ceylons were firm, except Dusts. Quotations: Quality 125p per kilo (122p); Medium 103p per kilo (104p); Plain no quote (no quote).

JUTE

JUTE—July: C and F Dundee: BWC £249, BWD £199, BTB £304, BTC £250, BTD £201; C and F Antwerp: BWC $544, BWD $428, BTB $667, BTC $539, BTD $429. C and F Dundee June: 40 in 10 oz £10.28, 40 in 7.5 oz £8.06. B Twills £30.91.

POTATOES

LONDON POTATO FUTURES—All positions dropped after fine weather over the weekend, firming slightly at the close in very quiet trade, reports Coley and Harper. Closing prices: Nov. 57.20, −0.4, (high 57.30, low 57.00); Feb. 66.20, −0.4, (high 66.20, low 66.00): April 73.20, −0.3, (high 73.30, low 73.00). Turnover: 46 (69) lots of 40 tonnes.

RUBBER

The London physical market opened slightly steadier, with little interest throughout the day, closing easier. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of 272.5 (269.5) cents a kg and SMR 20 236.0 (234.0).

No. 1 R.S.S.	Yest'rdy's close	Previous close	Business Done
July	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]
Apl-Jne	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]

Sales 363 (403) lots of 15 tonnes, 8 (nil) at 5 tonnes. Physical closing prices (buyers) were: Spot 60.25p (60.50p); July 62.00p (61.75p); Aug. 62.75p (same).

SOYABEAN MEAL

The market opened with gains of £1 in quiet trading, reports T. G. Roddick. Prices remained steady despite concern over planting delays, and closed with gains of 50p to £1.

	Yesterday's Close	+ or −	Business Done
	£ per tonne		
June	131.50-	—	155.00-32.50
August	132.10-32.4	+1.00	132.80-31.80
October	135.50-35.7	+0.50	136.00-35.80
December	138.50-38.8	+0.45	139.10-38.00
February	141.50-41.8	+0.50	142.50-42.20
April	142.50-44.5	+1.75	—
June	142.50-47.0	+2.25	—

Sales: 40 (43) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £200.00 (same) a tonne cif June-July shipments. White sugar daily price £215.00 (£219.00).

Opening prices were around pre-weekend levels but thereafter prices edged higher in quiet trading conditions. The weakness of the dollar appeared to be the principal influence on the market, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	202.50-03.00	200.10-00.25	204.00-99.50
Oct.	204.55-04.40	201.85-02.00	205.00-99.50
Jan.	205.25-05.40	203.00-03.50	205.75-05.00
March	208.75-07.00	205.50-06.75	208.50-03.50
May	209.00-09.50	207.75-08.00	210.00-05.50
Aug	210.00-10.50	209.50-10.00	—
Oct.	211.50-15.00	211.00-11.50	210.00

Sales: 4,951 (6,509) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.8 (same) a tonne for home trade and £307.5 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 12: Daily price 15.63 (15.98): 15-day average 16.80 (16.76).

GAS OIL FUTURES

After opening unchanged on quiet trading, the market rallied on short-covering and stronger European currencies. After a short dip, the market rallied to new highs and continued strong through a weaker New York opening, reports Premier Man.

Month	Yesterday's close	+ or −	Business Done
	$ U.S. per tonne		
June	274.50	+3.00	274.50-73.00
July	278.00	+4.75	278.00-74.50
August	280.75	+4.25	281.75-76.50
September	285.00	+4.50	286.50-82.00
October	290.75	+4.75	291.00-88.50
November	295.00	+5.50	295.50-92.00
December	299.00	+4.50	299.00-96.75
January	303.00	+2.75	—
February	306.75	+3.25	—

Turnover: 983 (802) lots of 100 tonnes.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 15 1981	+ or −	Month ago
Metals			
Aluminium	£810/815		£810/815
Free Mkt	$1195/1205	+10	$1285/525
Copper			
Cash w'bar	£871.75	−7.5	£838.25
3 mths	£896.75	−6.5	£862.25
Cash Cathode	£864.75	−7.5	£830.5
3 mths	£885.75	−7.75	£850.25
Gold troy oz	$462.5	−5	$481.5
Lead Cash	£357.75	−7.75	£337.5
3 mths	£366.75	−7	£347.25
Nickel	£3,504.50		£3,504.50
Free Mkt	275/305c		280/305c
Platin'm tr'y oz	£247.0		£230
Free mkt	£225.70	+1.2	£221.45
Quicksilver	$425/435		$420/430
Silver troy oz	531.40p	−5.1	531.70p
3 mths	547.75p	−4.85	536.70p
Tin Cash	£6,375	−165	£6,110
3 mths	£6,502.5	−102.5	£6,222.5
Tungsten	$143.75		$147.51
Wolfrm 22.04 lb	$146/148		$142/145
Zinc Cash	£423	−1.25	£410
3 mths	£422.75	−1.75	£419.75
Producers	$935		$875
Oils			
Coconut (Phil)	$585x		$557.5
Groundnut	$805		[illegible]
Linseed Crude	£442		[illegible]
Palm Malayan	$530x		[illegible]
Seeds			
Copra Philip	$385x	+5	$390
Soyabean (U.S.)	$302	+7.5	$310
Grains			
Barley Fut. Sep	£94.50	−0.1	£95.50
Maize	£127.5		£125
Wheat Fut. Sept	£99.95	−0.4	£101.80
No2 Hard Wint	£112.75		£106.50
Other commodities			
Cocoa ship't*	£886	+8	£1,003
Future Sept	£827.5	+4.5	£902
Coffee Ft' Sept	£858	−24.5	£1004.5
Cotton A.Index	87.05c		87.85c
Gas oil July	$278	+4.75	$281.0
Rubber (kilo)	60.25p	−0.25	63.75p
Sugar (Raw)	£200		£176
Wooltp's 64s kl.	359p kilo	+1	357p kilo

‡ Unquoted. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Ghana cocoa.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.0-80.0; Eire hindquarters 88.7-92.0, forequarters 56.0-58.0. Veal: Dutch hinds and ends 126.0-132.0. Lamb: English small 80.0 to 85.2, medium 77.5-81.5, heavy 74.0 to 80.0. Imported frozen: New Zealand PL 68.0 to 69.0, PM 66.0 to 67.0. Pork: English, under 100 lb 47.0 to 53.0, 100-120 lb 46.5 to 52.0, 120-160 lb 45.5 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets on June 15. GB—Cattle 95.85p per kg lw (−0.33); UK—Sheep 177.73p per kg est dcw (−8.15); GB—Pigs 77.45p per kg lw (−0.03).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 4.90, 56 5.40, 72 5.10, 88 4.55, 112 4.40, 138 4.40, 150 4.00; Californian: 88/138 3.80-4.80; Jaffa: (base) Valencia Lates 56/189 4.20-4.90; Moroccan: Lates: 48/113 3.30-5.00; Cyprus: Valencia Lates 88/144 3.80-4.60. Lemons—Spania: Trays 25/50 2.00-2.20, boxes 60/100 5.00; Californian: 115/140 5.50; Italian: 100/120 4.60-4.80; Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 4.00, 48 4.10, 56 3.90, 64 3.60, 72 3.50; Cyprus: 20 kg 40/64 4.80-5.20; Jaffa: 20 kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 6.40-6.80, Golden Delicious 6.00-6.50, Starking 7.40-7.80; Chilean: Granny Smith 6.80-7.20, Starking 7.00; New Zealand: Granny Smith 7.40, Sturmer Pippins 7.00-7.20, Golden Delicious 6.00, Red Delicious 8.00-8.50; Tasmanian: Jonathans 6.80-7.00, Granny Smith 6.80, Sturmer Pippins 7.20; W. Australian: Granny Smith 7.50; U.S.: Red Delicious 9.50-10.80; French: Golden Delicious 40 lb 126/175 3.80-4.80; Italian: 40 lb Romes 60/70 4.40-4.60; British Columbian: McIntosh Reds ½-cartons 70/80 4.50. Pears—Belgian: Conference per pound 0.10-0.12; S. African: Packhams 6.00-6.50, Nelis 5.60; Tasmanian: Packhams 40 lb 8.80-7.20; New Zealand: Packham's 8.20; Victorian: Packham's 7.80-8.50. Nectarines—Spanish: 37/42 4.20-5.50. Plums—Spanish: Rosas 3/8's 2.50-5.50; Japanese: 3/5's 2.50-2.80. Apricots—Spanish: 11 lb 2.20-3.00. Cherries—U.S.: 18 lb, per pound 0.90; French: 11 lb, per pound 0.45-0.50; Italian: 0.50-0.70; Turkish: 0.60. Gooseberries—Hungarian: 12 lb 2.80. Grapes—Chilean: Almeria 11 lb 7.00, Red Emperor 5.40; Israeli: Perlette 9 lb 6.50. Melons—Israeli: Carmel Yellow 6/12 5.00-5.80; Chilean: 15 lb 6/12 8.00, white 8/12 5.00; Spanish: 10 kg Yellow 5.50. Water-melons—Spanish: 3.60-5.00. Strawberries—U.S.: 12 oz 1.00; Italian: 8 oz 0.25-0.30; Spanish: 0.30. Peaches—Spanish: Yellow 35/48 1.50-2.50; Italian: Standard trays B/D 1.80-3.00. Pineapples—Ivory Coast: Each 0.40-1.00.

English Produce: Potatoes—Per 55-lb bag, old 2.50-3.40, new Kent 4.20-4.80. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15. Cauliflowers—Per 12, Kent 3.50-4.50. Cabbages—Per bag 3.20, spring 22 lb 3.60-4.20. Lettuce—Per 12, round 1.40-17-.50, Cos 10/12 1.80-2.20. Tomatoes—Per 12 lb 3.20, E 3.00. Radishes—Per pack of 12 x 8 oz 1.50, bunches of 15 1.20. Onions—Per tray x 20 bunches, spring 1.50. Celery—Per 15/24 5.50-6.00. Cucumbers—Per 10/20 1.00-1.20. Gooseberries—Per 12 lb 2.40. Broad Beans—Per 14 lb 2.40.

*

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.50-£5.40, codlings £2.20-£3.40. Large haddock £4.40-£5.40, medium £4.00-£5.20, small £2.00-£3.30. Large plaice £7.00, medium £5.80-£7.20, best small £3.40-£5.00. Skinned dogfish (large) £6.00-£7.00, (medium) £4.00-£6.00, [illegible] £1.80-£2.70.

AMERICAN MARKETS

NEW YORK, June 15.

TRADE SELLING in precious metals and copper put the market on the defensive producing moderate sell-off. Heating oil was virtually unchanged as additional rpoducers lowered prices. Grains and soyabeans rallied but could not hold their best gains because of heavy cash sales. Cotton advanced on reports of moisture damage to new-crop plantings, reported by Heinold.

Copper—June 78.65 (78.70), July 79.20-79.30 (79.30), Aug. 80.50, Sept. 81.60-81.75, Dec. 85.05-85.10, Jan. 86.20, March 88.20-88.40, May 90.40, July 92.40, Sept. 94.80, Dec. 97.60, Jan. 98.65, March 100.80.

Potatoes (round whites)—Nov. 74.2-74.8 (72.5), Feb. 82.0-85.0 (80.0), March 86.0-87.0, April 97.1. Sales: 669.

¶Silver—June 1020.5 (1049.5), July 1024.0-1029.0 (1057.0), Aug. 1042.0, Sept. 1053.0-1058.0, Dec. 1094.0-1096.0, Jan. 1110.5, March 1137.0, May 1163.5, July 1190.0, Sept. 1218.5, Dec. 1257.0, Jan. 1270.5, March 1297.0. Handy and Harman bullion spot: 1040.00 (1058.00).

Sugar—No. 11: July 15.60-15.65 (15.66), Sept. 15.70-15.80 (15.86), Oct. 15.80-15.85, Jan. 16.00-16.10, March 16.30, May 16.40-16.47, July 16.65, Sept. 16.77-16.80, Oct. 16.90-17.00. Sales: 7,465.

Tin—589.00-596.00 (585.00-592.00).

CHICAGO, June 15.

Lard—Chicago loose 19.75 (same).

Live Cattle—June 70.15-70.10 (70.27), Aug. 68.45-68.50 (68.37), Oct. 65.80-65.70, Dec. 66.60-66.70, Feb. 67.77-67.70, April 68.65, June 69.85.

Live Hogs—June 51.35-51.65 (50.67), July 55.55-55.70 (55.92), Aug. 55.60-56.70, Oct. 54.85-54.95, Dec. 56.45-56.60, Feb. 57.50, April 55.55, June 57.90, July 58.00.

‡‡Maize—July 350½-351 (347½), Sept. 358½-358 (353¾), Dec. 364¾-365½, March 377¾-378, May 384½-384¾, July 388.

Pork Bellies—July 55.30-55.40 (55.90), Aug. 55.20-55.35 (55.57), Feb. 71.00-71.10, March 71.05-71.15, May 72.05, July 73.20-72.70, Aug. 72.70.

†Soyabeans—July 741½-740 (741), Aug. 747½-746 (744¾), Sept. 755, Nov. 769-771, Jan. 788½, March 810, May 825½-826, July 839.

‖Soyabean Meal—July 221.2-212.5 (211.7), Aug. 214.5 (213.3), Sept. 217.0, Oct. 217.8-218.0, Dec. 224.5-224.8, Jan. 227.5-227.0, March 233.0-235.0, May 236.0-238.0, July 240.0.

Soyabean Oil—July 23.03-22.97 (22.82), Aug. 23.43-23.45 (23.23), Sept. 23.83-23.85, Oct. 24.22-24.25, Dec. 24.90-24.95, Jan. 25.20, March 25.80-25.85, May 26.25-26.30, July 26.70-26.80, Aug. 26.95-27.05.

†Wheat—July 408½-408 (407¼), Sept. 427½-427 (426½), Dec. 452-451½, March 473½, May 483½, July 488½.

WINNIPEG, June 15.

§Barley—July 145.60 (145.10), Oct. 140.60 (140.20), Dec. 140.80, March 142.30, May 144.00.

*Gold—June 463.3-463.5 (466.0), July 465.6 (469.5), Aug. 471.5-473.0, Oct. 483.0-484.5, Dec. 494.5-496.0, Feb. 505.3, April 516.0-519.0, June 530.0, Aug. 541.9, Oct. 553.8, Dec. 565.9, Feb. 578.1, April 590.3.

*Platinum—June 444.3 (460.3), July 446.0-446.5 (452.3), Aug. nil, Oct. 463.5-464.0, Jan. 480.8, April 497.3, July 514.1.

§Wheat—SCWRS 13.5 per cent protein cif St. Lawrence 251.27 (251.49).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERAM, June 15.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent June 205, July 204, Aug. 208, Sept. 211. U.S. No Two Red Winter June 154, July 157.50. U.S. No Two Northern Spring 14 per cent June 204, July 203.50, Aug. 201.50, Sept. 202.50.

Maize—(U.S. $ per tonne): U.S. No. Three Corn Yellow afloat June/July 157.50, Aug. 160, Sept. 161.50, Oct./Dec. 165, Jan./March 174.

Soyabeans—(U.S. $ per tonnes): U.S. No. Two Yellow Gulfports afloat 293.50, June 297, July 298, Aug. 297.50, Sept. 299, Oct./Nov. 303.50, Dec. 310, Jan. 316, Feb. 322, March 325.75. Argentine June 288.50, July 289, Aug. 292, Sept. 295.50.

Soyameal—(U.S. $ per tonne): 44 per cent protein. U.S. afloat June 253.50, July 254, Aug. 255, Sept. 260, Nov./March 274 sellers. Brazil Pellets afloat June 258, July 261.50, Aug. 266, Sept. 271, Nov./March 293 sellers.

PARIS, June 15.

Cocoa—(FFr per 100 kilos): July 900-945, Sept 955-984, Dec 990-1010, March 1025-1044, May 1053-1061, July 1072-1086. Sales at call: 1.

Sugar—(FFr per tonne): Aug 2352-2353, Oct 2332-2333, Nov 2320-2345, Dec 2340-2350, March 2425-2450, May 2435-2480, July 2440-2490. Sales at call: 8.

INDICES

FINANCIAL TIMES

June 12	June 11	Month ago	Year ago
255.53	250.13	252.89	264.92

(Base: July 1, 1952=100).

MOODY'S

June 12	June 11	Month ago	Year ago
1082.6	1080.8	1078.4	1138.7

(December 31, 1931=100)

DOW JONES

Dow Jones	June 12	June 11	Month ago	Year ago
Spot	379.68	378.41	389.27	431.79
Fut'r s	382.61	381.10	395.70	446.79

(Average 1924-25-26=100)

REUTERS

June 15	June 12	M'nth ago	Year ago
1755.2	1754.1	1688.2	1672.0

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Strong response to prospect of lower U.S. interest rates—Gilts up £1½ and equity index jumps 12 points

Account Dealing Dates

Option *First Declara- Dealings	tions	Last Dealings	Account Day
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22
June 15	June 25	June 26	July 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

The prospect of lower U.S. interest rates following last week's bigger-than-expected decline in money growth gave London stock markets a strong boost yesterday. Sterling's further sharp improvement against the dollar ensured UK Government securities of the limelight and this area attracted widespread investment funds which brought gains ranging to 1½ points and more. Equity markets regained some composure after recent nervousness on fund-raising possibilities and leading shares settled at the day's best.

Late news of U.S. Prime and broker loan rate cuts to 19 per cent added spice to the day's proceedings and revived a Gilt-edged market which was beginning to flag a little in the mid-afternoon. Interest was especially good for shorter maturities, up to a maximum of 1½ points. Business in longer-dated securities tended to be on a one-way basis with stock shortage accentuating rises which extended to 1½ points. Measuring the advance, the FT Government Securities index jumped 1.08 to 67.16 after last week's overall rise of 1.14.

Leading equities made a spirited start to the new trading Account. Despite considerable speculation that British Petroleum is to announce a big fund-raising package this morning, demand resumed after a firm opening and values advanced quite quickly. Sellers became noticeably more reserved and after a relatively thin trade a wide range of stocks closed with double-figure gains. This was reflected in the FT Industrial Ordinary share index, which entered a 10 am rise of 4 points to one of 12 points at the close of 547.8.

Grand Metropolitan were outstanding in the Traded options market, attracting 626 calls reflecting active business in the underlying shares; the October 200s accounted for 239. Total contracts completed amounted to 1,357, some 300 up on Friday's total. Demand for puts fell away, however, with only 128 deals arranged.

Banks firm

Still reflecting a recent Press suggestion that a favourable Monopolies Commission ruling on Hongkong and Shanghai's bid for Royal Bank of Scotland could lead to U.S. bids for British banks, the major clearers made further good progress and closed with double-figure gains. Lloyds rose 10 to 368p as did Midland, to 345p, while Barclays and NatWest closed similarly dearer at 420p and 368p respectively. Up 31 last week, Bank of Scotland added 7 afresh to 393p. Elsewhere, Standard Chartered also found support at 665p, up 17. Renewed investment buying ahead of results—due next Tuesday—left Hambros 25 higher at 885p, while Leopold Joseph edged forward 2 to 222p awaiting today's annual figures. Wintrust put on 5 to 108p and FNFC, on an investment recommendation, gained a penny to 27½p.

Bid hopes in the wake of Allianz's successful acquisition of a 28.1 per cent stake in Eagle Star continued to spur Composite Insurances. GRE gained 8 at 314p and the new nil-paid shares 7½ to 62p premium. General Accident put on 8 to 326p and Royals gained a like amount to 388p. Life issues were supported with Pearl, 394p, Prudential, 228p, and Equity and Law, 390p, all 8 higher.

Investment buying lifted Distillers 5 to 225p. Other Wines and Spirits also made headway, notably Amalgamated Distilled Products, 3 dearer at 65p.

News of the agreed counter-bid from Steetley left G. H. Downing 14 higher at 242p, but the former eased 7 to 207p. Elsewhere in the Building sector, Brown and Jackson contrasted with a fall of 13 to 73p on further consideration of the annual results, but Phoenix Timber, an old take-over favourite, encountered a revival of speculative buying and advanced 14 to 130p. Demand was also forthcoming for Blockleys, 6 to the good at 118p, and Rstock Johnsen, 5 up at 62p. Reflecting Press mention, Barratt Developments firmed 3 to 209p. Wight Holdings closed 3½ higher at 43½p, compared with the 30p per share cash offer from Thornwood Investments.

ICI made useful progress and closed 8 dearer at 288p, while Fisons edged up 5 to 145p.

E. Upton wanted

Movements in Stores usually favoured holders. Press comment highlighting the company's asset value lifted E. Upton 10 to 45p, while the A jumped a like amount to 42p. Speculative attention was again directed towards Polly Peck, 16 higher at 326p, after 330p, with Cornell Dresses, 167p and Wearwell, 92p, adding 12 and 3 respectively in sympathy. J. T. Parrish continued to benefit from last week's results and touched 195p before settling for a net gain of 3 at 188p. Support was also forthcoming for Dixons Photographic, 8 dearer at 168p, and for J. Hepworth, 4 up at 100p, but Ernest Jones (Jewellers), interim results tomorrow, eased a couple of pence to 98p. The leaders closed steady to firm. House of Fraser stood out with a gain of 6 at 168p, while British Home added 3 to 164p.

Electricals took a distinct turn for the better with firmness continuing into the late trading. Racal, 364p, and Thorn EMI, 385p, put on 9 apiece, while Plessey improved 6 to 315p. BICC were in demand at 252p, up 14, along with Telephone Rentals which gained 8 to 345p. United Scientific rose 18 to 458p and Farnell 10 to 490p. Revived demand lifted Lee Refrigeration 6 to 220p, while Concord Rotaflex became a better market and regained 4 to 45p. Muirhead closed unaltered at 112p, after 116p, following the return to the interim dividend list and forecast of a modest overall profit for the full year.

Leading Engineers made progress in thin trading. Vickers improving 8 to 177p and rises of a similar amount being recorded in GKN, 156p, and Hawker, 330p. Elsewhere, Staveley encountered further buying interest and put on 9 more to 255p, while Hopkinsons responded to Press mention with a rise of 4 to 99p. Babcock rallied 3 to 123p.

Much of the interest in Foods was again centred on the British Sugar-S. and W. Berisford bid situation: the offer, originally due to close yesterday, has been extended for another two weeks. British Sugar eased the turn to 336p, while Berisford closed 3 up at 204p. Elsewhere, Tesco found support in front of tomorrow's preliminary figures and closed 2 better at 60½p, while Press comment helped Associated British Foods rise 4 to 142p. Bernard Matthews were a volatile market; falling to 130p in the early trade on renewed fears of French competition, the shares rallied to end 11 up on balance at 151p.

Beecham up

Hotels ended with good gains across the board. Grand Metropolitan attracted support and rose 9 to a 1981 peak of 214p. Ladbroke were also in demand and closed 6 to the good at 166p ex-scrip issue. Speculative demand lifted De Vere 8 to 242p.

Miscellaneous industrial leaders made an impressive start to the new Account as fears of higher UK interest rates receded. Beecham did well with a rise of 11 to 217p xd helped by Press comment, while Reed International closed a similar amount better at 255p xd. Bowater finished 10 to 270p and Glaxo 8 to 372p, while Turner and Newall, 95p, and Unilever, 580p, put on 7 apiece. Still reflecting the better-than-expected results, Pilkington added 7 more to 317p. Elsewhere, Standard Fireworks rose 14 to 130p following the higher profits and dividend and proposed 50 per cent scrip issue. Crest Nicolas firmed 7 to 161p on buying ahead of today's first-half figures and Charles Hill of Bristol gained 5 to 100p following comment on the bid situation. Chamberlain Phipps speculation lifted Chubb 6 to 94p. Hestair rose 5 to 46p on further consideration of the chairman's encouraging AGM statement, while Mettoy Deferred advanced 4 to 15p, Morgan Crucible put on 6 to 122p and Standard Industrial also appreciated 6, to 54p. J. H. Fenner reacted from an initial firm level of 168p to close a net 3 easier at 163p following the lower interim profits.

Flight Refuelling remained in the vanguard among Motor Components, rising 19 more to 354p.

Oils better

Apart from BP, which remained unsettled by continuing rights issue fears and closed 2 cheaper at 350p, after 348p, Oils put on a better performance. Shell advanced 8 to 348p, while Tricentrol closed similarly dearer at 242p and Burmah firmed 5 to 146p. Among the more speculative issues, Candecca were noteworthy for a rise of 8 to 165p along with Berkeley Exploration, up 7 to 317p.

Trusts made headway reflecting the general firmness in equities.

Shippings staged a smart recovery after last Friday's bout of gloom prompted by the annual statement from P & O's chairman. British and Commonwealth picked up 7 to 292p and Ocean Transport rallied 3 to 133p, while P & O deferred regained 2 to 128p.

Textiles generally finished with small gains. Courtaulds added 3 to 88p, as did Dawson International, to 175p; the latter's annual results are expected tomorrow. Speculative support lifted Sterling Knitting 5 to 62p, but news of the full-year loss clipped that much from Tern-Consulate, 49p.

Bats came in for renewed institutional support and advanced 11 to 363p.

Quiet mines

Mining markets made a quiet start to the week. South African Golds opened on a firm note and moved ahead in early trading as the bullion price gained ground. However, news of the failure of a South African broker and a downturn in the metal price led to small but persistent selling across the board.

The Gold Mines index showed a 2.4 decline at 344.8 while the bullion price closed $1 easier at $470.50 an ounce.

Afrikander Lease featured with a drop of 30 to 130p, after 120p; it was thought the shares may be among those involved in the failure of the South African broker.

London Financials made good progress in the wake of UK equities. RTZ advanced 10 to 505p. Gold Fields and Charter 5 apiece to 475p and 338p respectively and Tanks 3 to 298p.

Elsewhere in Financials, Patino were marked up £5.50 to a 1981 high of £26; the shares rose sharply in a limited market in Toronto late on Friday.

Australians were generally firmer, reflecting continued optimism over the Blina 1 oil discovery in the Canning Basin.

Vamgas, the only quoted Australian participant in the oil find, rose 12½ to 862½p, while renewed speculative interest lifted Swan Resources 3 to 35p. Eagle Corporation 5 to 63p and Australian Consolidated Minerals 4 to 40p, after a 1981 high of 41p. Otter Exploration jumped 8 more to 64p.

Western Mining opened firmer at 322p, reflecting overnight Australian demand, but came under persistent selling pressure following adverse Press comment to close a net 8 cheaper at 312p.

FINANCIAL TIMES STOCK INDICES

	June 15	June 12	June 11	June 10	June 9	June 8	A year ago
Government Secs.	67.16	66.08	65.63	66.19	65.61	65.37	69.30
Fixed Interest	67.96	67.30	67.24	67.25	67.21	67.27	69.70
Industrial Ord.	547.8	535.8	536.9	542.5	545.6	547.3	467.6
Gold Mines	344.8	347.2	341.0	335.7	333.9	333.2	332.3
Ord. Div. Yield	5.88	6.01	6.01	5.94	5.91	5.90	7.58
Earnings, Yld. % (full)	11.70	11.96	11.96	11.81	11.76	11.72	18.45
P/E Ratio (net) (*)	10.66	10.43	10.44	10.57	10.61	10.64	6.59
Total bargains	21,000	19,818	19,062	19,163	18,742	20,831	26,733
Equity turnover £m.	—	167.54	147.25	223.39	131.63	110.80	144.93
Equity bargains	—	16,565	14,947	14,410	15,469	15,471	19,004

10 am 539.8. 11 am 543.0. Noon 543.9. 1 pm 544.1.
2 pm 543.9. 3 pm 545.4.
Latest index 01-246 8026.
*Nil = 9.86.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/3)	64.94 (8/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	71.03 (20/3)	67.17 (5/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	281.4 (23/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 12	June 11
Daily Gilt Edged Bargains	161.8	152.7
Equities Bargains	107.5	96.8
Value	535.6	297.6
5-day Average Gilt Edged Bargains	182.2	191.7
Equities Bargains	99.5	98.6
Value	316.6	316.1

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (90)

BRITISH FUNDS (2)
INTERNATIONAL BANK (1)
COM'WEALTH & AFRICAN LOANS (1)
FOREIGN BONDS (1)
AMERICANS (8)
BANKS (4)
BEERS (3)
BUILDINGS (1)
CHEMICALS (2)
DRAPERY & STORES (5)
ELECTRICALS (2)
ENGINEERING (1)
FOODS (1)
HOTELS (1)
INDUSTRIALS (16)
INSURANCE (4)
PAPER (1)
PROPERTY (2)
SHIPPING (1)
TEXTILES (3)
TRUSTS (25)
OIL & GAS (1)
TEAS (1)
MINES (3)

NEW LOWS (15)

BANKS (3)
Seccombe Marshall — Cie. Bancaire — Union Discount
ELECTRICALS (1)
Derritron
INDUSTRIALS (2)
Carlton Inds. — Euro. Ferries
TEXTILES (1)
Snia Viscosa
TRUSTS (3)
F. & C. Eurotrust — Suez Finance — Select Risk Inv.
OIL & GAS (2)
BP 8pc Pref. — Marinex Pet.
OVERSEAS TRADERS (1)
Borthwick (T.)
MINES (2)
Anglo Am. Gold — Petaling

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	—	3
Corpns., Dom. and Foreign Bonds	40	—	29
Industrials	426	125	817
Financial & Props.	234	32	229
Oils	36	13	40
Plantations	6	4	13
Mines	41	45	82
Others	31	84	67
Totals	906	303	1,280

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BAT Inds.	363	+11	Lloyds Bank	368	+10
Berisford (S. and W.)	128	+5	Lucas Inds.	195	+9
Bowater	270	+10	Phoenix Timber	130	+14
GRE New	62pm	+7½	Racal Electronics	364	+9
Ladbroke	166xc	+6	Reed International	255xd	+11
Land Securities	389	+9	Tele. Rentals	345	+8

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Fri.'s closing price pence	Day's change	Stock	No. of price changes	Fri.'s closing price pence	Day's change
Premier Cons.	23	65	+7	Shell Trans.	18	340	−6
BP	20	352	−8	RTZ	17	180	—
Guinness	18	68	−8	Downing G. H.	16	228	+4
Brit. Aerospace	18	217	−3	GEC	15	668	−2
Marvy. Dck Uts	18	22	+2	NCC Energy	15	157	−2
P. & O. Defd.	18	128	−6	ICI	14	280	+6
Pilkington	18	310	+20	LASMO	14	525	−5

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
June 8	June 19	Sept. 10	Sept. 21
June 22	July 3	Sept. 24	Oct. 5
July 6	July 17	Oct. 8	Oct. 19

For rate indications see end of Share Information Service

Money was given for the call in Bath and Portland, Marshall's Universal, Town and City Properties, FNFC, Premier Oil, Metal Box, Jessel Trust, James Neill, Australian Consolidated Minerals, John Brown, Burmah, ICI, BSR, Tesco, GKN, Dares Estates, Hongkong Telephone and S. and W. Berisford. A put was done in ERF, while doubles were arranged in Royal Bank of Scotland and AGB Research.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., June 15, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. June 12 Index No.	Thur. June 11 Index No.	Wed. June 10 Index No.	Tues. June 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	342.14	+1.6	10.88	4.57	11.35	336.74	337.41	342.58	343.49	247.52
2	Building Materials (25)	298.32	+1.4	14.10	5.88	8.59	294.14	292.17	298.01	300.20	244.90
3	Contracting, Construction (28)	550.93	+0.9	16.83	5.11	6.96	545.85	546.18	552.62	557.80	366.82
4	Electricals (28)	1069.90	+1.6	8.10	2.42	15.36	1053.56	1056.29	1075.64	1074.08	665.14
5	Engineering Contractors (11)	483.60	+1.0	12.41	5.81	9.70	478.66	481.78	481.83	485.33	299.54
6	Mechanical Engineering (70)	212.21	+1.8	13.35	5.73	9.35	208.55	209.56	211.92	213.14	166.23
8	Metals and Metal Forming (13)	160.51	+1.8	9.82	7.43	13.27	157.66	159.11	161.13	161.52	161.79
9	Motors (21)	102.52	+2.4	4.78	7.04	53.21	100.11	99.80	101.65	102.56	101.27
10	Other Industrial Materials (18)	372.21	+2.0	10.21	5.35	11.72	364.92	366.30	371.12	370.40	0.00
21	CONSUMER GROUP (195)	283.52	+1.7	12.61	5.68	9.66	278.85	278.94	280.06	281.24	229.87
22	Brewers and Distillers (20)	323.30	+1.4	14.24	5.96	8.35	318.81	317.13	316.47	317.34	290.58
25	Food Manufacturing (21)	256.91	+1.3	15.18	6.43	7.93	253.49	253.86	255.50	256.77	202.67
26	Food Retailing (14)	515.86	+0.9	9.66	3.42	12.29	511.35	513.88	515.42	516.41	331.18
27	Health and Household Products (7)	336.38	+2.9	8.23	4.35	14.47	326.76	326.14	326.20	327.43	218.24
29	Leisure (22)	425.38	+2.0	11.87	5.67	10.22	417.01	418.55	422.91	424.92	333.53
32	Newspapers, Publishing (12)	506.58	+1.3	11.60	5.60	12.21	499.97	502.61	503.24	508.28	437.29
33	Packaging and Paper (13)	150.01	+1.8	13.34	7.11	8.91	147.34	148.01	149.26	150.82	134.51
34	Stores (44)	267.89	+1.3	10.69	4.93	12.28	264.52	264.82	265.85	266.47	223.43
35	Textiles (23)	161.75	+2.3	8.28	5.60	16.19	158.10	158.01	158.73	158.88	129.00
36	Tobaccos (3)	262.94	+3.0	21.99	9.44	5.22	255.33	255.34	257.79	260.77	218.64
39	Other Consumer (16)	293.30	+0.5	10.29	6.48	13.34	291.84	292.14	295.32	298.70	0.00
41	OTHER GROUPS (79)	228.13	+1.4	13.50	6.62	9.01	224.95	224.94	226.61	227.03	216.65
42	Chemicals (15)	286.92	+2.2	11.34	7.24	11.01	280.68	277.10	280.59	280.37	316.92
44	Office Equipment (6)	114.17	+1.1	16.16	7.33	7.30	112.89	112.82	113.78	114.76	110.63
45	Shipping and Transport (13)	550.07	+1.0	16.49	6.57	7.26	544.66	558.47	559.10	562.61	536.33
46	Miscellaneous (45)	293.94	+0.7	14.23	5.75	8.47	291.84	293.41	294.51	294.95	259.37
49	INDUSTRIAL GROUP (488)	296.01	+1.6	12.08	5.38	10.13	291.30	291.56	294.08	295.05	237.83
51	Oils (12)	735.97	+0.8	24.22	7.64	4.58	730.07	738.35	742.68	739.84	832.94
59	500 SHARE INDEX	331.49	+1.5	14.11	5.76	8.42	326.66	327.52	330.20	330.89	284.71
61	FINANCIAL GROUP (118)	258.65	+1.8	—	5.65	—	253.97	252.72	253.96	256.40	216.28
62	Banks (6)	262.75	+2.5	34.78	6.90	3.35	256.37	254.87	254.81	256.89	240.31
63	Discount Houses (10)	274.04	+0.3	—	8.23	—	273.13	274.14	274.14	274.49	254.45
64	Hire Purchase (3)	247.56	—	13.24	7.34	10.57	247.56	248.43	249.91	249.65	215.64
65	Insurance (Life) (10)	263.09	+2.5	—	5.75	—	256.71	255.18	257.69	260.00	203.50
66	Insurance (Composite) (9)	169.25	+1.6	—	7.53	—	166.64	164.41	165.44	169.76	139.32
67	Insurance Brokers (8)	397.57	+1.5	11.06	5.84	12.44	391.70	387.52	397.31	402.16	314.40
68	Merchant Banks (13)	166.06	+0.7	—	4.90	—	164.83	164.72	165.50	165.90	116.13
69	Property (49)	470.41	+1.7	3.77	2.94	36.55	462.69	463.87	465.89	466.71	406.81
70	Miscellaneous (10)	180.23	+1.4	17.66	5.75	6.88	177.66	177.08	176.49	176.36	131.60
71	Investment Trusts (109)	309.11	+1.2	—	5.09	—	305.33	305.31	306.33	307.18	235.25
81	Mining Finance (3)	247.06	+1.7	13.87	5.43	8.45	243.00	243.17	247.27	246.77	197.07
91	Overseas Traders (20)	448.83	−0.2	11.18	6.87	11.20	449.52	451.12	459.50	462.84	391.40
99	ALL-SHARE INDEX (750)	316.69	+1.5	—	5.72	—	312.02	312.36	314.77	315.88	268.14

FIXED INTEREST

	PRICE INDICES	Mon. June 15	Day's change %	Fri. June 12	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.89	+0.83	107.00	—	5.81
2	5-15 years	107.21	+1.66	106.19	0.74	5.97
3	Over 15 years	109.83	+2.10	109.17	1.63	7.07
4	Irredeemables	121.39	+1.72	119.34	—	6.46
5	All stocks	107.98	+1.52	107.11	0.76	5.96
6	Debentures & Loans	84.15	+0.70	83.75	0.19	5.08
7	Preference	63.35	+0.07	63.44	0.14	3.43

	AVERAGE GROSS REDEMPTION YIELDS		Mon. June 15	Fri. June 12	Year ago (approx.)
	British Government				
1	Low	5 years	12.17	12.21	11.84
2	Coupons	15 years	12.58	12.92	11.84
3		25 years	12.72	13.02	11.84
4	Medium	5 years	13.94	14.30	13.13
5	Coupons	15 years	14.42	14.72	13.34
6		25 years	13.91	14.31	13.39
7	High	5 years	13.99	14.37	13.30
8	Coupons	15 years	14.63	14.91	13.70
9		25 years	14.26	14.52	13.68
10	Irredeemables†		12.16	12.37	11.14
11	Debs & Loans	5 years	15.27	15.29	14.47
12		15 years	15.27	15.29	14.40
13		25 years	0.00	15.29	14.33
14	Preference†		15.69	15.64	15.38

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941.

Abbey Am. Gth. Tst.	64.0	68.8	-1.2	2.11
Abbey Capital	50.2	54.3	+0.5	4.06
Abbey General (z)	58.2	62.0	.....	4.88
Abbey Gilt & F.I. Tst.	102.0	107.4xd	+1.1	12.20
Abbey Income	38.9	42.0	+0.1	8.36
Abbey W'w.Bd.Tst.	93.7	99.2xd	-0.4	6.75
Abbey Inv.Ts.Fd.(z)	53.2	57.5	.....	4.37
Equitas Prog. Tst.	84.2	91.0	+0.8	4.49

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	85.4	88.2	+0.2	12.95

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	93.9	100.5	+1.6	5.57
Brit. Inds. Fund	79.6	85.2xd	+1.2	5.99
Growth & Income	54.3	58.1	+0.6	4.30
Elect. & Ind. Dev.	47.0	50.3	+0.7	4.97
Allied Capital	101.6	108.7	+1.6	4.05
Hambro Fund	137.2	146.8xd	+2.0	5.46
Hambro Acc. Fund	192.8	206.3	+2.8	3.96
Income Funds				
High Yield Fd.	71.3	76.3	+0.4	7.86
High Income	84.7	90.6	+0.7	7.66
Equity Income Fd.	49.0	52.4	+0.5	6.98
Govt. Secs.	24.4	25.0xd	+0.2	12.40
International Funds				
International	39.3	42.1	-0.2	1.97
Japan Fund	30.0	32.1xd	+0.4	0.20
Pacific Fund	80.9	86.6xd	+0.4	0.72
Secs. Of America	86.1	91.3xd	-1.6	1.75
Specialist Funds				
Smaller Co.'s Fd.	60.1	64.3	-0.1	4.05
2nd Smlr. Co's Fd.	74.3	79.5	+0.1	3.76
Recovery	28.4	30.4	-0.6	4.64
Met. Min. & C'dty.	68.5	73.3	+0.1	5.01
Overseas Earnings	72.2	77.3xd	+1.2	4.77
Exempt Funds				
Income Exempt	84.3	90.1	+0.3	7.19
Far East Exempt	80.7	86.1xd	+1.2	0.90
Smaller Co. Exempt	95.9	101.7	+0.3	3.88
U.S.A. Exempt	146.0	150.6	-2.4	2.06

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231.

Anderson U.T.	70.8	76.3	-0.2	3.25

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931.

Inc. Monthly Fund	165.0	175.0	.....	9.21
Leisure&Gen.Fd.	54.0	57.0	.....	6.82

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	42.75	45.00	.....	3.22
Do. Accum.	54.40	57.25	.....	3.22

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital	37.4	40.3	-0.7	—
Commodity	94.8	102.3xd	.....	2.12
(Accumulation)	149.8	161.7xd	.....	2.12
(10% Withdrawal)	68.8	74.3xd	.....	2.12
Eastern & Intern'l	58.9	62.1	+0.5	1.00
(6% Withdrawal)	40.4	42.6	+0.4	1.00
Extra Income	89.4	96.7	-0.2	10.31
(Accumulation)	113.1	121.7	-0.3	10.31
Finance & Property	27.2	29.3	.....	3.66
Foreign	159.0	165.7xd	.....	1.00
Giants	51.3	55.4	+0.4	4.16
(Accumulation)	67.4	72.5	+0.5	4.16
Gilt & Fixed	40.7	42.7xd	+0.6	11.80
(Accumulation)	45.3	47.5xd	+0.6	11.80
Growth	46.5	50.1	+0.4	3.77
(Accumulation)	[illegible]	[illegible]	[illegible]	[illegible]

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	37.3	40.8	-0.1	11.14
North American	73.1	79.0	-1.4	2.15
Canadian Exempt*	78.8	83.3xd	.....	3.77
Canadian Trust	72.3	78.1	-0.4	2.26
Mid Mount High Inc.*	50.3	53.2	.....	9.05
Recovery	58.7	64.2	+0.5	6.69
Gilt Trust	41.2	43.2xd	+0.5	13.40

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	48.9	52.8	-0.4	0.47
Cres. Internat'l.	93.3	100.7	-0.8	1.55
Cres. High. Dist.	45.0	48.4	+0.5	9.77
Cres. Reserves	52.7	56.8	+1.0	5.6
Cres. Tokyo	40.5	43.7	+0.3	0.37

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.6	25.0	.....	8.34

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. June 12	252.0	268.8	.....	4.94

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0	.....	7.48
Gt. Winchester O'seas	30.5	33.8	.....	2.98

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	95.4	100.4	+1.2	4.31

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4991

American (z)	46.3	49.8	-0.7	0.45
Amer. Spec. Sits. (z)	33.3	35.6xd	-0.4	0.13
Gilt + Fixed Int.	23.7	24.9	+0.2	12.88
Growth + Income	34.7	37.4xd	+0.3	6.81
Maximum Inc. Eq. Tst.	30.2	32.5xd	+0.2	8.05
Special Sits.	43.5	46.8	+0.4	1.62

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	43.4	46.7	.....	1.62
Accum. Units	54.0	58.0	.....	1.62
J. Finlay High Income	38.7	41.6	.....	9.34
Finlay Wld. Energy	18.6	20.0	-0.4	1.15
Accum. Units	24.1	25.9	-0.5	1.15
J. Finlay Fd.In.Tst.	40.8	43.9	.....	1.41
Accum. Units	52.9	56.8	.....	1.41

Prices on June 10. Next dealing June 17.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	100.2	107.0	-0.8	0.75
Am. T'around	93.0	99.4xd	-1.8	1.34
Capital Tst.	66.2	70.6	+0.2	4.30
(Accum. Units)	69.8	74.4	+0.2	4.30
Convertible & Gilt	47.6	50.0xd	-0.8	10.16
(Accum. Units)	48.4	50.8xd	.....	10.16
Extra Income Trust	54.8	58.6	+0.2	8.86
Income Tst.	44.0	47.0xd	+0.2	7.12
Int. Growth Fd.	76.7	81.8	-0.4	1.10
(Accum. Units)	82.6	88.2	-0.4	1.10

Robert Fraser Trust Mgt. Ltd.
28b Albemarle St., W.1. 01-493 3211

Robt. Fraser Ut. Tst.	85.6	92.1	.....	6.00

Friends' Provdt. Trust Mgrs. (a) (b) (c).
Pixham End, Dorking. 0306 5055

Friends Prov. Units	66.9	71.5xd	+1.1	4.23
Do. Accum.	97.3	104.4	+1.6	4.23

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital May 21	149.6	152.5	.....	4.52
Gross Inc. May 21	86.5	89.1	.....	10.89
High Yield May 21	100.3	102.3	.....	10.17

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
55	40	Barymin	47	+2	—	—	—
$25\frac{1}{2}$	14	Burma Mines 10p	22	......	0.75	0.9	4.9
330	180	Colby Res. Corp.	260	−10	—	—	—
275	200	Cons. Murch. 10c.	260	−15	‡Q30c	1.8	6.6
98	70	††Hemerdon 10c.	70	......	—	—	—
180	135	Highwood Res.	145	......	—	—	—
400	300	Northgate C$1	345	......	—	—	—
580	372	R.T.Z.	505	+10	16.0	3.2	4.5
£125	$£93\frac{1}{2}$	Do. 9¼% Cn. Un. Ln. 95-2000	£111	+1	Q9½%	—	f9.2
143	110	††SPO Minerals 10p	110#	......	—	—	—
47	32	Sabina Inds. C$1	33	......	—	—	—
44	28	††SWCM 10p	37	......	—	—	—
550	465	Tara Expln. $1	525	−10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✱ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	42	......	Conv. 9% '80/82	$£92\frac{1}{2}$	......
Berlam	13	......	Nat. 9¾% 84/89	$£75\frac{5}{8}$	$-\frac{1}{8}$
Bdg'wtr. Est. 50p	465	......	Fin. 13% 97/02	$£78\frac{1}{4}$	$-\frac{1}{2}$
Craig & Rose £1	$£11\frac{1}{2}$	......	Alliance Gas	77	......
Finlay Pkg. 5p	21	......	Arnott	235	......
Graig Ship. £1	£21	......	Carroll (P.J.)	83	......
Higsons Brew.	73	......	Concrete Prods.	90	......
Holt (Jos) 25p	480	......	Heiton (Hldgs.)	28	......
I.O.M. Stm. £1	157	......	Ins. Corp.	420	......
Pearce (C. H.)	940	......	Irish Ropes	50	......
Peel Hldgs.	100	......	Jacob	56	......
Sheff. Refrshmt.	98	−1	T.M.G.	17	......
Sindall (Wm.)	195	......	Unidare	103	......

OPTIONS

3-month Call Rates

Industrials					
		House of Fraser	14	Utd. Drapery	$6\frac{1}{2}$
A. Brew	$6\frac{1}{2}$	I.C.I.	20	Vickers	18
BOC Intl.	11	"Imps"	7	Woolworths	6
B.S.R.	7	I.C.L.	6		
Babcock	11	Ladbroke	30	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	37
Boots	20	"Lofs"	$4\frac{1}{2}$	MEPC	20
Bowaters	24	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	25	"Mams"	20	Town & City	$2\frac{1}{4}$
Brown (J.)	9	Mrks. & Spncr	11		
Burton Ord.	14	Midland Bank	26	**Oils**	
Cadburys	$7\frac{1}{2}$	N.E.I.	8		
Courtaulds	7	Nat. West. Bank	32	Brit. Petroleum	33
Debenhams	10	P & O Dfd.	12	Burmah Oil	16
Distillers	17	Plessey	26	Charterhall	8
Dunlop	$8\frac{1}{2}$	Racal Elect.	34	KCA	22
Eagle Star	25	R.H.M.	5	Premier	$7\frac{1}{2}$
F.N.F.C.	3	Rank Org. Ord.	18	Shell	32
Gen. Accident	30	Reed Intnl.	25	Tricentrol	30
Gen. Electric	60	Sears	5	Ultramar	44
Glaxo	28	Tesco	$5\frac{1}{2}$		
Grand Met.	18	Thorn EMI	30	**Mines**	
G.U.S. 'A'	44	Trust Houses	15	Charter Cons.	21
Guardian	30	Tube Invest.	12	Cons. Gold	45
G.K.N.	15	Turner & Newall	10	Lonrho	9
Hawker Sidd.	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Tuesday June 16 1981

BRITXON INQUIRY TOLD OF OPERATION SWAMP

Police action 'may have led to riots'

BY LISA WOOD

SWAMP 81, a special police anti-crime operation, may have been a contributory cause of the Brixton riots, it was suggested at the Scarman inquiry yesterday.

The first task of Lord Scarman's inquiry, which opened at Lambeth town hall yesterday, is to investigate the immediate causes of the riots in Brixton, South London, in April. Mr Robin Auld, QC, leading counsel for the inquiry, said in an opening statement that Operation Swamp had been launched by the police in the week before the three-day disturbances.

The operation involved about 100 plain-clothe policemen, from the robbery squad and divisional crime squads. They patrolled the streets of "L" division, which includes Brixton, and intensive use was made of powers to stop and search in an attempt to detect and arrest robbers and burglars.

Mr Auld said that according to the police about 1,000 people were stopped and about 100 arrested for various offences. Only a few of these were burglary and robbery.

Mr Auld said the police maintained that the level of crime called for exceptional measures such as this operation. However, there was evidence that an atmosphere of tension existed during the week of Operation Swamp, he said.

Mr Auld suggested to Lord Scarman that he might wish to consider whether this was a factor contributing to the disorders.

Questions concerning Operation Swamp and general police tactics in the Brixton area before and during the riots were put to Deputy Assistant Commision Leslie Walker who is in charge of a large police administrative area which includes Brixton.

Lord Scarman asked Mr Walker whether with hindsight it occurred to him that an operation like Swamp could create serious problems of public order.

Mr Walker, who was not in charge of the operation and who said he was not aware of it before the riots, said: "There is always a risk, but what does one do with the escalating crime rate?"

Earlier the inquiry had been told by Mr Old that police had considered the level of crime in Brixton to have reached "Crisis point."

In the first seven weeks of 1980, for example, there was a 78 per cent increase in robberies over the previous year, compared with 12 per cent for all London. Burglaries were up 75 per cent and there was a massive increase in "snatch thefts" compared with 1978.

Mr Auld said there had been complaints about the youth and inexperience of officers policing Brixton. Of the 200 policemen in Brixton nearly half were under 25, nearly a quarter under 22 and over a quarter probationers. "By any standard Brixton was being policed largely by a very junior force of police constables," he said.

Mr Auld spoke of the incident on the Friday night of the riots in which a group of black youths, seeing police officers dealing with an injured black youth, immediately assumed they were hindering, not helping him.

Mr Auld asked Lord Scarman to consider what caused the rapid escalation of the troubles—was it spontaneous or planned he asked, and was there too heavy a police response? He also said: "What contribution was made by the underlying social conditions in Brixton and the manner of policing in Brixton over recent years?"

The first part of the inquiry will be followed by a wider-ranging examination of mainly written evidence into policing methods in areas like Brixton, and into social factors.

A policeman keeps watch on demonstrators outside Lambeth town hall.

Ambulance staff split over strike

BY PAULINE CLARK, LABOUR STAFF

SOME OF Britain's 18,000 ambulance workers are to defy the call for a national 24-hour strike tomorrow in protest at a 6 per cent pay offer. Crews in several areas of the country, notably in the West Midlands and Wiltshire, have decided to work normally.

The National Union of Public Employees, the main union in the ambulance service, predicted widespread backing, however, after what it claimed as 90 per cent support for yesterday's unofficial stoppage by London ambulancemen.

Military ambulances were on standby in London army barracks as all but 25 of the capital's 1,000 ambulances were left idle. Shop stewards representing 2,300 London ambulancemen had decided to withdraw their labour including emergency cover for 24 hours in defiance of their national union leaders.

Mr John Moss, chief operations officer of the London Ambulance Service, described the effects of the capital's first ambulance strike since early 1979 as "very, very grim." But a reduction of about half in the normal number of emergency calls helped to contain the situation. Out of London's 76 ambulance stations, 15 remained operational.

Emergency cover was provided by Red Cross and St John Ambulance drivers using their own vehicles and by police.

In Scotland, where there were a series of lightning ambulance strikes, further action was taken yesterday in Ayrshire and Tayside.

The ambulance workers want a 15 per cent rise on basic pay of £76.60 a week. They are seeking recognition as an emergency service alongside firemen and police who won 18.8 per cent and 21 per cent pay rises respectively last year.

The management, made up of local councils, has insisted that the pay rise must be within the Government's 6 per cent cash limits provision for wages in the public sector.

Leaders of the four unions involved will meet tomorrow to assess the impact of their call for a national stoppage. Emergency cover will be maintained.

The London ambulance workers will not be joining tomorrow's action. Their shop stewards, who are planning to meet tomorrow, have been asked to delay any decision on further action until national leaders have met.

Elsewhere, resistance to the strike is expected from a number of areas, particularly where the dominant union is the Confederation of Health Service Employees.

Civil Service dispute, Page 8

U.S. peace bid hits trouble

By Our Foreign Staff

U.S. EFFORTS to defuse the six-week missile crisis in Lebanon between Syria and Israel appear to be in deep trouble after last week's Israeli attack on the nuclear reactor in Iraq.

A heightened sense of crisis throughout the region was reflected in a remarkable personal appeal yesterday by King Hussein of Jordan to President Reagan.

In a letter which, most unusually, was made public, the King described the region as standing "at a moment of truth, at a dangerous crossroad of open war and continued human suffering."

He asked what, if any, moral conditions or restraints governed the U.S.'s "colossal financial and military suport to Israel," and asked if the U.S. intended "to relinquish its role as superpower [in favour of] a vicarious Israeli perception of the region's security."

In Saudi Arabia, where Mr Philip Habib, the U.S. envoy in the Middle East arrived at the weekend to pursue further the intermediary role played earlier by Riyadh, the official Saudi Press agency carried Saudi newspaper criticism of his peace mission as "irrelevant and incomprehensible."

U.S. diplomats in the Middle East are known to be concerned that the reports may represent a new level of frustration in the Saudi Government which could set back the loosely co-ordinated U.S.-Saudi attempts to reselve the confronation.

U.S. determination to persist with the peace initiative has been reinforced by the conviction that short of an actual invasion of Lebanon, Israel has little alternative but to reach some accommodation with the presence of the missiles.

It is questioned whether an airstrike against the missile sites could provide a long-term military solution.

In Damascus the Syrians resumed heavy criticism of the U.S. role in the crisis, accusing Washington of "silent diplomacy combined with active military escalation."

Mr Habib arrived in the Syrian capital yesterday, and is due to meet President Assad today before returning to Israel tomorrow.

● Six Arab ambassadors saw Mrs Thatcher yesterday to express personally their disquiet about the Israeli raid.

Continued from Page 1

Sterling

all, the losses of earlier this month have been reversed.

The Chemical Bank decision to lower its prime rate was made on the basis of several factors according to Mr. Morgan Stark, a senior vice-president at Chemical. The slowing pace of economic activity was expected to produce a growth rate of zero or thereabouts in the second quarter. The money supply picture was also improving, he said.

Weather

UK TODAY

DRY with sunny intervals in most places. South: temperatures near normal. North and East: cooler with some showers.

S England, Midlands, SW England, S Wales
Mainly dry. Sunny spells. Max. temp. 21C (70F).

E Anglia, E and NE England
Scattered showers, mainly near coast. Max. temp. 17C (63F).

SW Scotland, N Ireland
Sunny intervals. Max. temp. 17C (63F).

Outlook:
Mostly dry, sunny at first. Rain in Scotland and N. Ireland later.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	27	81	London	F	21	70
Algiers	S	28	82	Luxmbg.	S	25	77
Amsdm.	C	18	64	Luxor	S	42	108
Athens	F	24	75	Madrid	F	32	90
Bahrain	S	35	95	Majorca	S	29	84
Barclna.	S	29	84	Malaga	S	26	79
Beirut	S	27	81	Malta	S	28	82
Belfast	C	15	59	M'chstr.	C	16	61
Belgrd.	C	22	72	Mx. C.†		—	—
Berlin	C	19	66	Miami†		—	—
Biarritz	S	25	77	Milan	S	30	86
Bmghm.	C	17	63	Montrl.†		—	—
Blackpl.	C	13	55	Moscow	C	16	61
Bordx.	S	31	88	Munich	S	26	79
Boulgn.	Fg	12	54	Nairobi	C	24	75
Bristol	F	16	61	Naples	S	29	84
Brussels	S	25	77	Nassau		—	—
Budpst.	C	23	73	Nwcstl.	C	14	57
Cairo	S	35	95	N. York†		—	—
Cardiff	F	15	59	Nice	S	26	79
Cas'b'ca	F	24	75	Nicosia	S	26	79
Cape T.	C	16	61	Oporto	S	35	95
Chicg.†		—	—	Oslo	F	20	68
Cologne	F	27	81	Paris	S	30	86
Cpnhgn.	F	19	66	Prague	C	20	68
Corfu	S	30	86	Rykjvk.	C	11	52
Denver†		—	—	Rhodes	S	25	77
Dublin	C	15	59	Rio J'o†		—	—
Dbrvnk.	S	27	81	Rome	S	29	84
Ednbgh.	R	13	55	Salzbrg.	S	27	81
Faro	S	31	88	S'cisco†		—	—
Florence	S	32	90	S. Mritz		—	—
Frankft.	S	28	82	Singapr.	F	33	91
Funchal	F	23	73	S'tiago†		—	—
Geneva	S	26	79	Stckhm.	C	16	61
Gibrltr.	S	24	75	Strasbg.	S	29	84
Gl'sg'w	F	13	55	Tangier	S	32	90
G'rnsey	Fg	14	57	Tel Aviv	S	26	79
Helsinki	C	16	61	Tenerife	F	20	68
H. Kong	C	28	82	Tokyo	R	19	66
Innsbrk.	S	28	82	T'r'nto†		—	—
I.o.Man	F	15	59	Tunis	S	30	86
Invrnss.	F	13	55	Valencia	S	30	86
Istanbul	C	19	66	Venice	S	28	82
Jersey	Fg	13	55	Vienna	C	23	73
L. Plms.	C	23	73	Warsaw	C	18	64
Lisbon	F	23	73	Zurich	S	27	81
Locarno	S	29	84				

C—Cloudy F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

French Communist plea on pact

BY ROBERT MAUTHNER IN PARIS

LEADERS of the French Communist Party appealed to their followers yesterday to respect fully an electoral pact with the Socialists which will greatly benefit President Francois Mitterrand's party in the final general election ballot next weekend.

Desperate to preserve their influence, the Communists called on members to adhere to the agreement under which the less-well-placed candidate of the Left will be withdrawn in the deciding round of voting.

They may also hope that their support will be rewarded by M Mitterrand offering one or two minor ministerial posts to Communists.

The controversial question of Communist participation in government will remain open until after the voting, although the party's bargaining position has been greatly weakened by the expectation that its parliamentary representation of 86 deputies may be cut by about a half.

If the Communists respond to yesterday's appeal and the first-round results are confirmed in the final ballot, President Mitterrand will have more room for manoeuvre in both domestic and international affairs than virtually any other Western head of government.

With 37.6 per cent of the total vote cast in the first round, the Socialists and their Radicals of the Left allies are generally expected to win a comfortable absolute majority in the new National Assembly. This result would remove any danger of coercion by other parties, notably the Communists.

FRENCH ELECTION RESULTS

Final percentage scores in first round

Socialist Party	37.51
RPR (Gaullists)	20.80
UDF (Centrist)	19.20
Communist Party	16.17
Miscellaneous Right-wing	2.80
Extreme Left	1.33
Ecologists	1.08
Miscellaneous Left-wing	0.72
Extreme Right	0.35

Barring a major internal crisis in the Socialist Party, the President is thus likely to have his hands relatively free for the next five years until the next general election.

Of the 156 seats in the 491-member National Assembly decided outright on Sunday, as many as 100 went to the Right wing and Centre parties (50 to the Gaullist RPR, 46 to the Centrist UDF and four to other small Right-wing groups).

But this was to be expected, given that the Gaullists and Centrists presented single candidates in most constituencies—while the Socialists, who won 49 seats outright in the first round, and the Communists, who won seven, were involved in "primaries."

The situation will be very different in the second round, when only the leading Leftwing candidate in the first ballot is expected to represent both the Socialists and Communists in accordance with the electoral pact.

Editorial comment, Page 16

World bankers Continued from Page 1

woulud force Governments to abandon prematurely their anti-inflation policies, which would be "a setback of incalculable proportions."

Uneasy about the impact of fluctuating dollar interest rates on the world economy, the BIS criticised the U.S. for its monetarist techniques "which deliberately assign interest rates the role of a mere residual."

The report was strongly sceptical about British policies. The U.S. had risked adding to inflation through its Government's efforts to give the ecnomy a supply-side stimulus.

Britain, however, had taken risks on the deflationary side by depressing activity in face of the overriding need to get back within public-sector borrowing and money-supply targets.

In a clear reference to the U.S. policy of leaving the dollar and interest rates solely to market forces, the BIS urged Governments to give "sufficient thought" to the international consequences of national policy actions.

It warned that international co-operation was "the most effective bulwark against a repetition of the kind of events witnessed in the 1930s.

"The Western world is already paying a high price for having tolerated too high an inflation rate for too long," the report said. "If, in the present decisive phase, confidence in the effectiveness of international co-operation were to be shaken, the price would be greater still."

● EEC Finance Ministers in Luxembourg yesterday said the Community should tell the U.S. privately that a balanced fiscal and monetary approach might help bring U.S. interest rates down from current high levels.

U.S. expected to lift gas price controls

BY SUE CAMERON

EEC CHEMICAL and fibre manufacturers are anxiously awaiting a U.S. Government decision on whether proposals to speed the deregulation of gas prices are to go ahead. An announcement is expected shortly.

Cheap U.S. gas, the EEC industry argues, has been an important factor behind the inroads America has made in European chemical and fibre markets.

Industry experts on both sides of the Atlantic believe there is a growing chance that the U.S. Government will bring forward the target date for lifting controls from gas prices to next year. The existing, long standing plan is to delay decontrol until 1985.

But even if the U.S. Department of Energy calls for gas prices to be deregulated sooner rather than later, it will have to secure the agreement of Congress before the recommendation can be put into practice. This could involve protracted negotiations — particularly as the decontrol of gas prices is expected to have a greater effect on U.S. inflation than did the decontrol of oil prices earlier this year.

European Commission officials, along with representatives from the chemical industry, are due to meet their counterparts in the U.S. later this month to discuss gas price decontrol. But as hopes for speedy decontrol rise, the Europeans are becoming increasingly anxious not to rock the boat.

Last year, during the darkest days of the recession, European chemical and fibres producers argued strongly that their American competitors were enjoying an unfair advantage because the U.S. Government was holding down oil and gas prices to below world levels.

They claimed this unfair advantage was encouraging U.S. companies to send a flood of cut-price chemicals, fibres and textiles across the Atlantic.

One of the first acts of the Reagan Administration was to decontrol oil prices—to the relief of the Europeans. European producers now say that the threat from unfair U.S. competition has receded substantially.

The U.S. chemical industry makes greater use of gas as a chemical raw material than do the Europeans who rely more heavily on oil-based feedstocks. This is one reason why they are keen to see the U.S. decontrol gas prices as quickly as possible.

Threat to textiles, Page 4

THE LEX COLUMN

U.S. interest rates head downwards

Index rose 12.0 to 547.8

Positive U.S. influences upon the UK stock market were bolstered by local factors yesterday. In gilt-edged, the government broker pleased most people except the jobbers by refusing to respond to their bids for the short tap. And in equities, a market waiting to go up on confirmation of a BP financing, rumours of which were holding it down all last week, decided to go up anyway—though the BP share price itself stayed firmly under a cloud.

U.S. money rates

Chemical Bank lost little time yesterday in responding to Friday's healthy U.S. money-supply figures. The one point cut in its prime rate to 19 per cent sent the dollar tumbling further against European currencies and sterling hauled itself briefly back over the $2 mark before news of a further cut in BNOC crude prices sent dealers *scrambling* to cover short dollar positions.

Even at 19 per cent, the Chemical prime represents an unusually high margin over the cost of bank funds. Ninety-day certificates of deposit were being taken up at under 16½ per cent yesterday and the commercial paper market is now a very cheap alternative to prime for highly-rated corporate names.

Most signs may be pointing in the direction of lower interest rates, but the increase in business loan demand is still worrying even the optimists. The $1bn weekly rise announced on Friday may reflect involuntary stock accumulation and yesterday's corporate tax deadline, but there is no evidence that the Federal Reserve is in any mood to bow to European pressure and start interpreting the statistics in an optimistic way.

But the expectation of a fall in short-term U.S. interest rates is stronger now than during either of last year's false dawns. The improved new issue volume on the bond market should allow corporations to convert a portion of their short-term debt and, with the economy expected to show little or no second-quarter growth, a fall in demand deposits should work itself through to a lower Fed Funds rate.

Disclosure

The consultation period on the Department of Trade's proposals to tighten up the law on disclosure of interests in shares ended officially yesterday—little Companies Bill. Interested parties in the City and elsewhere are decidedly miffed that more than a fortnight after publication of the draft clauses for inclusion in the current they have had such a short period in which to consider 22 detailed clauses of a highly complex nature.

There has also been criticism of the tortuous drafting of the proposals. As the Council for the Securities Industry (CSI) says in its submission, a company secretary should know whether he has to report an acquisition of shares without having to seek the advice of eminent counsel on the meaning of the statute.

Lawyers argue that the issues are just too complicated to be summed up in one paragraph, as the CSI would like. But the present proposals do not fulfill the first two objectives put forward by the Department: that the rules should be more intelligible, and that there should be no uncertainty about how they work.

However, there is a broad welcome for the principle of greater disclosure. This has been forced on a somewhat reluctant department by public disquiet arising in particular from the secret build-up last year of large shareholdings in Consolidated Gold and Dunlop.

Some of the details are open to question. Thus it is proposed that if anyone owns a fifth of a company, then the interests of that company should be treated as if they were his own for disclosure purposes. That net looks too wide: a 30 per cent holding would be more appropriate. Elsewhere it is not clear why the definition of a concert party should be based on an intention to *retain* shares.

However tightly drawn, legislation will not catch outright villains dealing through foreign nominees. But it is still worth having. Like the laws against insider dealing, the mere fact that such rules exist should act as a powerful deterrent to undesirable practices.

THF/Savoy

It is rarely that a company concedes defeat in a takeover bid five days ahead of the closing date, as Trusthouse Forte did yesterday, but then THF has never looked like undermining the solid blocks of high-voting Savoy "B" shares which are maintaining the Savoy Board in office. Yesterday's letter from THF to the Savoy's shareholders reflects the fact that THF cannot buy in the market shares that have been assented to the bid, because that might involve THF buying its own shares if the offer were, surprisingly, to succeed. It is now offering to allow acceptances to be withdrawn so that shareholders can sell for cash in the market. But in fact acceptances have amounted to under 2 per cent of the votes, and not all of those will find their way into the permanent hands of THF if shareholders are worried about the capital gains tax penalty of a cash disposal.

By Friday THF itself is likely to control some 16 per cent of the Savoy votes, and its ally, the Kuwait Investment Office, has another 21.4 per cent — though the KIO's contractual commitment to THF will lapse with the bid. The fact that together these two will own some 60 per cent of the local capital will not help them to influence the Savoy Board — which might be tempted to issue more "B" shares into friendly hands, as it did in 1970 when it bought the Hotel Lancaster in Paris.

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